

26 September 2018

BY ELECTRONIC LODGEMENT

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Takeover offer by WAM Capital Limited for Wealth Defender Equities Limited – Target’s Statement

In accordance with s 633(1) item 14 of the Corporations Act 2001 (Cth), we enclose a copy of the target’s statement in relation to the off-market takeover bid for shares in Wealth Defender Equities Limited (ACN 602 517 528) (**WDE**) by WAM Capital Limited (ACN 086 587 395) (**Target’s Statement**).

Yours faithfully



Sarah Prince
Company Secretary

For personal use only

**Wealth
Defender
Equities**

This is an important document and requires your immediate attention.

You should read the entire document. If you are in doubt as to what you should do, you should obtain independent advice from your investment, financial, tax or other professional adviser.

TARGET'S STATEMENT

The Non-Executive Directors of WDE recommend that you

ACCEPT

the Offer by WAM Capital Limited (ACN 086 587 395) to acquire your Shares in Wealth Defender Equities Limited (ACN 602 517 528) in the absence of a superior proposal from another party.

IF YOU HAVE ANY QUESTIONS ABOUT THE OFFER, PLEASE CONTACT WEALTH DEFENDER EQUITIES' INVESTOR SERVICES ON 1300 910 051 or invest@wealthdefenderequities.com.au

 **NORTON ROSE FULBRIGHT**

Legal Advisor

Important Notices

Nature of this document

This Target's Statement is dated 26 September 2018 and is given by Wealth Defender Equities Limited (**WDE**) under Part 6.5, Division 3 of the Corporations Act in response to the Bidder's Statement by WAM Capital Limited (**WAM**) dated 30 August 2018 in relation to the offer by WAM to acquire your Shares in WDE.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. None of ASIC or ASX, nor any of their respective officers, takes any responsibility for the contents of this Target's Statement.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are defined in Section 13 of this Target's Statement. Section 13 also sets out some rules of interpretation which apply to this Target's Statement.

No account of personal circumstances

This Target's Statement should not be taken as personal financial, investment or tax advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

Your WDE Directors encourage you to read this Target's Statement in its entirety and obtain independent advice from your investment, financial, tax or other professional adviser before making a decision whether or not to accept the Offer.

Forward looking statements

Some of the statements in this Target's Statement may be in the nature of forward looking statements. All statements other than statements of historical fact are forward looking statements. You should be aware that forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of WDE. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the sectors in which WDE operates and invests, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; and risks associated with the business and operations of WDE.

None of WDE, any of its officers or employees nor any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statements, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statements. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Information on WAM

All of the information concerning WAM contained in this Target's Statement has been obtained from publicly available sources including public documents filed by WAM or information published by WAM on its website. None of the information in this Target's Statement relating to WAM has been verified by WAM or independently verified by WDE or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, WDE makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on WAM in this Target's Statement should not be considered comprehensive.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

WDE has collected your information from the register of WDE Shareholders for the purpose of providing you with this Target's Statement. The type of information WDE has collected about you includes your name, contact details and information on your shareholding (as applicable) in WDE. Without this information, WDE would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the WDE Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

WDE Shareholder information

If you have any questions after reading this document, you can call Wealth Defender Equities Investor Services on 1300 910 051 between 9.00am and 5.00pm (Sydney time) or email invest@wealthdefenderequities.com.au.

Further information relating to the Offer can be obtained from WDE's website at <http://wealthdefenderequities.com.au>.

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Key Dates

Offer Period opens	13 September 2018
Date of this Target's Statement	26 September 2018
Offer Period closes (unless extended or withdrawn)	14 October 2018

Letter from WDE's Chairman

26 September 2018

Dear Shareholder,

On 30 August 2018, WAM lodged a Bidder's Statement in relation to an off-market takeover offer by WAM to acquire 100% of the WDE Shares on issue for scrip consideration of 1 WAM Share for every 2.5 WDE Shares you hold (the Offer). **The Non-Executive Directors (being Paul Clitheroe, Richard Morath and myself) have carefully considered the Offer and recommend that you ACCEPT the Offer, in the absence of a superior proposal from another party.**

In making the recommendation, the Non-Executive Directors recommend that you **ACCEPT** the Offer in the absence of a superior proposal from another party for the following reasons:

- The Independent Expert, Grant Thornton, has concluded that the Offer is fair and reasonable.
- The Non-Executive Directors believe the Offer represents an opportunity to receive value for your WDE Shares that represents a potential significant premium to WDE's volume-weighted average price prior to the Bid and above both the pre and post-tax NTA of WDE as at 31 August 2018.
- The Offer provides enhanced liquidity to WDE Shareholders who accept the Offer and choose to become long term WAM shareholders or who do not wish to remain WAM shareholders post the Offer close, due to the significant scale of WAM with a market capitalisation of \$1,670.9m as at 31 August 2018.
- The Offer has the support of all of the Non-Executive Directors.
- A realisation option at NTA via liquidation of the Company is not considered a realistic proposition as the WAM Offer is at a premium to the realisation value of WDE and in any event is unlikely to be achieved.
- No superior proposal to the Offer has emerged from another party.
- All WDE Shareholders on the WDE share register as at 28 September 2018 will receive the WDE Dividend.
- WDE Shareholders may be entitled to receive scrip for scrip CGT rollover relief in circumstances where WAM acquires 80% or more of all of the WDE Shares.

Risks of Accepting the Offer

The Non-Executive Directors acknowledge that the WAM Offer is not without some risk to WDE Shareholders. In making the recommendation to accept the Offer they note the following:

- You will only receive the Offer Consideration if all the Conditions are satisfied or waived.
- You may not be able to realise the implied premium to the WDE share price in the Offer Consideration.
- WAM Shares were trading at a significant premium to NTA as at the date of the Bidder's Statement.
- WDE Shareholders wishing to liquidate their WAM holdings may not be able to realise the value they anticipated.
- You may not receive the WAM Dividend.
- If a superior proposal is announced from another party you will not be able to withdraw your acceptance of the Offer.

These and other risks of accepting the Offer are more fully described in Section 2.5.

The Non-Executive Directors will ACCEPT, or procure the acceptance of, the Offer in respect of the WDE Shares that they own or control or otherwise have a Relevant Interest in, in absence of a superior proposal from another party.

Your entitlement to the WDE fully franked dividend of 2.0 cents per WDE Share declared on 28 August 2018 (**WDE Dividend**) will not be impacted by your acceptance of the Offer. However, if you are paid the WDE Dividend, the number of WAM Shares issued to you under the Offer will be reduced. This is because the Offer includes all the Rights attaching to your WDE Shares (which includes dividends). In that event, the consideration you receive will be reduced to 1 WAM Share for every 2.5512 WDE Shares you hold. This is likely to be the case for all WDE Shareholders on the WDE share register as at 28 September 2018.

The Directors recommend that you read this Target's Statement (including the Independent Expert's Report contained in Annexure A) in its entirety and in conjunction with the Bidder's Statement you have received from WAM.

If you wish to accept the Offer, you should follow the instructions in the Bidder's Statement and on the Acceptance Form. The Offer is scheduled to close at 7:00pm (Sydney time) on 14 October 2018, unless extended or withdrawn.

If you have any questions in relation to the Offer, I encourage you to seek independent advice from your investment, financial, tax or other professional adviser, or contact Wealth Defender Equities Investor Services on 1300 910 051 between 9.00am and 5.00pm (Sydney time) or email invest@wealthdefenderequities.com.au.

Your Directors will continue to keep you informed of all material developments relating to the Offer.

I would also like to take this opportunity to thank you for your continued support of WDE.
Yours sincerely,



Alan Schoenheimer
Chairman
Wealth Defender Equities Limited

1 Reasons You Should ACCEPT the Offer

The Board has considered the advantages and disadvantages of the Offer and the Non-Executive Directors recommend that you ACCEPT the Offer made to you unless a superior proposal emerges from another party.

The reasons for this recommendation are:

1	The Independent Expert, Grant Thornton, has concluded that the Offer is fair and reasonable.
2	The Non-Executive Directors believe the Offer represents an opportunity to receive value for your WDE Shares that represents a potential significant premium to WDE's VWAP prior to the Bid and above pre-tax NTA of WDE as at 31 August 2018 of \$0.9668.
3	The Offer provides enhanced liquidity to WDE Shareholders who accept the Offer and choose to become long-term WAM shareholders or who do not wish to remain WAM shareholders post the Offer close, due to the significant scale of WAM with a market capitalisation of \$1,670.9m as at 31 August 2018.
4	The Offer has the support of all of the Non-Executive Directors.
5	A realisation option at NTA via liquidation of the Company is not considered a realistic proposition as the WAM Offer is at a premium to the realisation value of WDE and in any event is unlikely to be achieved.
6	No superior proposal to the Offer has emerged from another party.
7	All WDE Shareholders on the WDE share register as at 28 September 2018 will receive the WDE Dividend
8	WDE Shareholders may be entitled to receive scrip for scrip CGT rollover relief in circumstances where WAM acquires 80% or more of all of the WDE Shares.

The Non-Executive Directors acknowledge that there are risks associated with the Offer, holding WDE Shares, holding WAM Shares and holding shares in the Enlarged Group, which are described in detail in Section 8 of the Bidder's Statement as identified in Section 9 of this Target's Statement.

There are also risks in accepting the Offer which are described in Section 2.5 of this Target's Statement.

1.1 The Independent Expert, Grant Thornton, has concluded that the Offer is fair and reasonable

Your Directors engaged Grant Thornton to prepare an Independent Expert's Report in relation to the Offer.

The Independent Expert has assessed the realisation value of WDE (post-tax) at 0.9274 per share against an implied consideration under the Bid of between 0.9407 and 0.9799 per WDE Share (based on WDE Shareholders receiving the WDE Dividend). This premium was between 1.4% and 5.7% per WDE Share. The Independent Expert concluded that:

- the value offered is therefore higher than the value of WDE on a control basis before the WAM Offer; and
- the Offer is **FAIR AND REASONABLE** to WDE Shareholders.

1.2 The Non-Executive Directors believe the Offer represents an opportunity to receive value for your WDE Shares that represents a potential significant premium to WDE's VWAP prior to the Bid and above the pre-tax NTA of WDE as at 31 August 2018 of \$0.9668

The Offer Consideration is 1 WAM Share for every 2.5 WDE Shares held by you and will be reduced to 1 WAM Share for every 2.5512 WDE Shares you hold for Shareholders who receive the WDE Dividend to be paid on 19 October 2018.

The Offer represents a premium over the historical market price of WDE Shares and a premium to WDE's trading price immediately before the announcement of the WAM Offer as summarised below:

- 15.1% compared with the closing price of WDE on 29 August 2018.
- 15.3% compared with the 1 week VWAP of WDE on 29 August 2018.
- 15.0% compared with the 1 month VWAP of WDE on 29 August 2018.
- 16.9% compared with the 3 month VWAP of WDE on 29 August 2018.

The Offer is also above pre-tax NTA of WDE as at 31 August 2018 of \$0.9668.

In contrast with WDE Shares, WAM Shares are trading at a premium to WAM's pre-tax NTA.

In addition, by accepting the Offer, you will not incur brokerage fees, which may otherwise be incurred if you were to sell your WDE Shares on market.

1.3 The Offer provides enhanced liquidity to WDE Shareholders who accept the Offer and choose to become long term WAM shareholders or who do not wish to remain WAM shareholders post the Offer close, due to the significant scale of WAM with a market capitalisation of \$1,670.9m as at 31 August 2018

Those WDE Shareholders who accept the Offer and remain WAM shareholders will be shareholders in a company with significantly greater market capitalisation of \$1,670.9m as at 31 August 2018 and as a result of this will generally have greater on-market liquidity than is the current position of WDE with a market capitalisation of \$118.5m as at 31 August 2018.

Those WDE Shareholders who do not wish to remain long term WAM shareholders also have access to this increased liquidity in which to realise their investment.

1.4 The Non-Executive Directors recommend that you ACCEPT the Offer

The Non-Executive Directors of WDE have carefully considered the Offer and recommend that WDE Shareholders ACCEPT the Offer subject to there being no superior proposal from another party.

The Non-Executive Directors will ACCEPT, or procure the acceptance of, the Offer in respect of any Shares in WDE that they own or control or otherwise have a Relevant Interest in subject to there being no superior proposal from another party.

1.5 A realisation option at NTA via liquidation of the Company is not considered a realistic proposition as the WAM Offer is at a premium to the realisation value of WDE and is, in any event, unlikely to be achieved

The Directors of WDE have carefully considered the option of moving to liquidate the Company via an orderly realisation basis as an alternative course of action to the Bid. This would have the benefit of providing certainty to WDE Shareholders of the cash consideration they would receive for their shares.

The Non-Executive Directors are not recommending such a course of action on the basis that the implied value of the WAM Offer is above the estimated realisation value of WDE on a post-tax basis.

Further, achieving such a realisation may not be viable as to implement a liquidation/wind up of the Company to realise the value of the portfolio and distribute cash back to WDE Shareholders, would require a special resolution approved by 75% of WDE Shareholders.

1.6 No superior proposal to the Offer has emerged from another party

As at the date of this Target's Statement, the Directors have not received any alternative or superior proposals from another party.

1.7 All WDE Shareholders on the WDE share register as at 28 September 2018 will receive the WDE Dividend

All WDE Shareholders on the WDE share register as at 28 September 2018 will receive the 2 cent per share fully franked WDE Dividend payable on 19 October 2018. Under this scenario, however, the Offer you receive will be reduced to 1 WAM Share for every 2.5512 WDE Shares you hold.

1.8 WDE Shareholders may be entitled to receive scrip for scrip CGT rollover relief in circumstances where WAM acquires 80% or more of all of the WDE Shares

See Section 10 of the Bidder's Statement in respect of this matter.

2 Reasons why you may decide not to accept the Offer

This Section 2 sets out some of the reasons why you may decide not to follow the recommendation of the Non-Executive Directors and not accept the Offer.

2.1 You may disagree with the recommendation of the Non-Executive Directors and the Independent Expert's conclusion

You may hold a different view to the Non-Executive Directors and the Independent Expert and believe that the Offer Consideration is not sufficient.

2.2 You may consider that there is the potential for a superior proposal from another party to be made for WDE Shares

It is possible that a superior proposal to the Offer could materialise in the future. However, as at the date of this Target's Statement, no alternative proposal from another party has been received.

2.3 You may consider that the WAM Offer is not favourable based on a comparison of its value to WDE's value on an NTA basis.

The NTA pre-tax of WDE at 31 August 2018 was \$0.9668 per share whereas the NTA pre-tax of WAM at 31 August 2018 was \$2.0649 per share.

On a pre-tax NTA for NTA basis, the Offer of 1 WAM Share for 2.5 WDE Shares equates to valuing WDE at \$0.8260 cents per share.

The NTA post-tax of WDE at 31 August 2018 was \$0.9926 per share whereas the NTA post-tax of WAM at 31 August 2018 was \$2.0278 per share.

On a post-tax NTA for NTA basis, the Offer of 1 WAM Share for 2.5 WDE Shares equates to valuing WDE at \$0.811 cents per share.

The Independent Expert did conclude however that it was appropriate to rely on WAM's trading price rather than the pre or post-tax NTA of WAM as at 31 August 2018 in their valuation assessment of the consideration.

2.4 The tax consequences of acceptance of the Offer may not be favourable to you given your financial position

Acceptance of the Offer by WDE Shareholders is likely to have tax implications. You should carefully read and consider the potential Australian taxation consequences of accepting the Offer as set out in Section 10 of the Bidder's Statement. However, WDE Shareholders should not rely on the taxation considerations set out in Section 10 of the Bidder's Statement as being advice on their own affairs. Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

2.5 Risks associated with accepting the Offer

- **You will only receive the Offer Consideration if all the Conditions are satisfied or waived**

The Offer is subject to the Conditions, as described in Section 4.9 of this Target's Statement. All Conditions must be satisfied or waived by WAM before WDE Shareholders who accept the Offer will receive the Offer Consideration. If you accept the Offer and any Condition is not satisfied or waived, WAM will not acquire your WDE Shares and you will not receive the Offer Consideration.

In the meantime, WDE Shareholders who accept the Offer while it remains conditional will be unable to trade their WDE Shares on the ASX, or withdraw their acceptance of the Offer (except in limited circumstances). It is also the case that the Offer has some specific defeating conditions with small margins that pose specific risks to the Offer:

- the reported pre-tax NTA of WDE not declining by 5% or more below the pre-tax NTA of WDE of \$0.9722 announced to the ASX in the Monthly Investment Portfolio Update & NTA Report on 14 August 2018. This 5% discount equates to a pre-tax NTA of \$0.9236. The pre-tax NTA of WDE as at Friday 14 September 2018 was \$0.9584.
- the S&P/ASX 300 Index not closing at a level that is 5% or more below the level of that index at 5.00pm (Sydney time) on 29 August 2018 (being the trading day immediately prior to the date of the Bidder's Statement) and remaining at that level for at least two consecutive trading days. This 5% discount equates to a S&P/ASX 300 Index level of 5,988. The S&P/ASX 300 Index closed at 6,121 on Friday 14 September 2018.

- **You may not be able to realise the implied premium to the WDE share price in the Offer Consideration**

The WAM Bidder's Statement details the Offer premium above the WDE share price in the month preceding the Offer. There is no guarantee that this premium will be realised.

In the event of a significant fall in the market and the trading price of WAM Shares the implied premium may not be realised.

- **WAM Shares were trading at a significant premium to NTA as at the date of the Bidder's Statement**

In accepting the Offer, WDE Shareholders should take note of the significant premium to NTA at which WAM shares were trading as at the date of the Bidder's Statement. Based on the underlying post-tax NTA of WAM of \$2.03 as at 31 August 2018 and WAM's closing share price as at 29 August 2018, before the announcement of the WAM Offer, WAM was trading at a significant premium of 22.8%. This is against an average premium over the past 5 years of 16.5%.

- **WDE Shareholders wishing to liquidate their WAM holdings may not be able to realise the value they anticipated**

WDE Shareholders who accept the Offer and do not wish to remain WAM Shareholders post the Offer and wish to liquidate their WAM holdings may not be able to realise the value they may have anticipated in the event of a significant fall in the market and the trading price of WAM Shares. You may also be selling into a market for WAM Shares where there are significantly more sellers than buyers in the short term.

- **You may not receive the WAM Dividend**

WDE Shareholders who accept the Offer have no certainty of receiving the WAM Dividend. To receive the WAM Dividend you must be on the WAM Share Register on 19 November 2019. In the Bidder's

Statement WAM states that it is the intention of WAM to issue the Offer Consideration within seven (7) days of the end of the Offer Period (provided the Offer becomes unconditional).

- **Changes to management strategy and investment management fees**

WDE Shareholders who accept the Offer and become WAM Shareholders will be invested in a different investment strategy to that employed by WDE.

WDE Shareholders who accept the Offer and retain their WAM shares will be subject to higher management and performance fees.

- **If a superior proposal is announced from another party you will not be able to withdraw your acceptance of the Offer**

If a superior proposal to the Offer is announced from another party, WDE Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a superior proposal unless:

- The Offer is still subject to a Condition; and
- The Offer is varied in a way that postpones, for more than one month, the time when WAM must meet its obligations under the Offer; or
- The Offer lapses while still subject to a Condition or is withdrawn.

At the date of this Target's Statement, WDE Directors are not aware of any superior proposal from another party.

- **Further risks are identified in section 8 of the Bidder's Statement**

2.6 Other risks

There are a number of other risks you should consider which are identified in Section 9 of this Target's Statement.

3 WDE Directors' recommendation

3.1 WDE Non-Executive Directors' recommendation

The Non-Executive Directors recommend that you ACCEPT the Offer in the absence of a superior proposal from another party. The Non-Executive Directors further recommend that you do this promptly to ensure that your acceptance is received before the close of the Offer Period 7:00pm (Sydney time) on 14 October 2018. You should not assume that the Offer Period will be extended.

The Non-Executive Directors' reasons for their above recommendation are set out in Section 1 of this Target's Statement.

In considering whether to accept the Offer, the WDE Non-Executive Directors encourage you to:

- read and carefully consider the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent advice from your investment, financial, tax or other professional adviser on the effect of accepting the Offer.

3.2 John Murray's recommendation

John Murray, Director of WDE, does not make a recommendation as to whether or not the Offer be accepted. His reasons for not making a recommendation are below.

John Murray is an executive of the WDE Manager. In that role he is the Investment Manager and also Managing Director of the WDE Manager. The WDE Manager is also the Investment Manager for Perennial Investment Management Limited which holds 7,034,568 WDE Shares. Because of these relationships, John Murray is not making a recommendation as to whether or not the Offer be accepted.

3.3 Intentions of the Non-Executive Directors in relation to the Offer

Each of the Non-Executive Directors intends to ACCEPT, or procure the acceptance of, the Offer in respect of the WDE Shares that they own or control or otherwise have a Relevant Interest in subject to there being no superior proposal from another party. Details of the interests of each WDE Director in WDE Shares are set out in Section 10 of this Target's Statement.

4 Important information about the Offer

4.1 Background

WAM served WDE with a copy of the Bidder's Statement, which contains the Offer, on 30 August 2018. You should have received a copy of the Offer by now.

WAM is offering to acquire all of your WDE Shares, including any Rights attaching to those Shares, on the terms and conditions set out in the Bidder's Statement.

You can only accept the Offer for all of your Shares.

4.2 Offer Consideration

The Offer Consideration offered by WAM is 1 WAM Share for every 2.5 WDE Shares you hold. However, if you are paid the WDE Dividend, the number of WAM Shares issued to you under the Offer will be reduced. This is because the Offer includes all the Rights attaching to your WDE Shares (which includes dividends). In that event, the consideration you receive will be reduced to 1 WAM Share for every 2.5512 WDE Shares you hold. This is likely to be the case for all WDE Shareholders on the WDE share register as at 28 September 2018.

4.3 Offer Period and acceptance

The Offer is open for acceptance during the period commencing on 13 September 2018 and ending on 14 October 2018 at 7.00pm, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act.

4.4 How to accept the Offer

Instructions on how to accept the Offer are set out in clause 6 of Schedule 1 of the Bidders Statement and on the Acceptance Form that accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid. If you choose to accept the Offer, then your acceptance must be received by WAM before the end of the Offer Period.

4.5 Effect of acceptance

If you accept the Offer and it becomes Unconditional, you will be entitled to be paid the Offer Consideration by WAM in accordance with the terms of the Offer (see clause 7 of Schedule 1 of the Bidder's Statement for further information on payment of the Offer Consideration).

The effect of acceptance of the Offer is explained in more detail in clauses 8.8 and 8.9 of Schedule 1 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance of the Offer will have on your ability to exercise the Rights attaching to your WDE Shares and the representations and warranties that you are deemed by WAM to give to it by accepting the Offer.

It is worth noting that accepting the Offer would (subject to the possible withdrawal rights set out below):

- prevent you from participating in any competing superior proposal from another party that may emerge;
- see you relinquish all of your WDE Shares to WAM with no right to payment until the Offer becomes Unconditional; and
- prevent you from otherwise selling your WDE Shares.

4.6 Extension of the Offer Period

If the Offer becomes Unconditional, WAM may extend the Offer Period at any time before the end of the Offer Period. Otherwise, except for in limited circumstances, WAM may only extend the Offer Period before it gives WDE its Notice of Status of Conditions (refer to Section 4.11 below).

There will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, WAM increases the Offer Consideration or its Voting Power in WDE increases to more than 50%. The extension will be for 14 days after the relevant event occurs.

4.7 Your withdrawal rights

If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, under the Corporations Act, you may withdraw your acceptance of the Offer if WAM varies its Offer in a way that postpones, for more than one month, the time at which WAM needs to meet its obligations under the Offer. This will usually occur if WAM extends the Offer Period by more than one month and the Offer is still subject to Conditions.

In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

4.8 Withdrawal of the Offer by WAM

WAM may be able to withdraw unaccepted Offers at any time if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

4.9 Conditions

The Offer is subject to the following Conditions:

- 50.1% minimum acceptance;
- no proposal to change or re-assign the Investment Management Agreement;
- no Prescribed Occurrences;
- the reported pre-tax NTA of WDE not declining by 5% or more below the pre-tax NTA of WDE of \$0.9722 announced to the ASX in the Monthly Investment Portfolio Update & NTA Report on 14 August 2018. This 5% discount equates to a pre-tax NTA of \$0.9236.
- the S&P/ASX 300 Index not closing at a level that is 5% or more below the level of that index at 5.00pm (Sydney time) on 29 August 2018 (being the trading day immediately prior to the date of the Bidder's Statement) and remaining at that level for at least two consecutive trading days. This 5% discount equates to a S&P/ASX 300 Index level of 5,988.
- no material adverse change to the assets, liabilities, financial position, performance, profitability or prospects of WDE and/or its Subsidiaries;
- WDE and/or its Subsidiaries do not undertake certain actions such as to make or propose to make any variation to its constitution, gives or agrees to give any encumbrance over any of its assets, and appoints any additional Director to its Board; and
- no regulatory action which materially affects the making of the Offer.

Full details of the Conditions are set out in clause 8.1 of Schedule 1 of the Bidder's Statement.

4.10 Notice of Status of Conditions

Under Section 8.6 of Schedule 1 of the Bidder's Statement, WAM may at any time in its sole discretion, but subject to compliance with the Corporations Act, declare the Offer free from all or any of the Conditions by written notice to WDE not later than 5 October 2018.

Section 8.7 of Schedule 1 of the Bidder's Statement states that WAM must give a Notice of Status of Conditions to WDE on 7 October 2018.

WAM must set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as WAM knows, any of the Conditions have been fulfilled; and
- WAMs' voting power in WDE.

If the Offer Period is extended before the Notice of Status of Conditions is to be given, the date on which WAM must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, WAM is required, as soon as reasonably practicable after the extension, to notify WDE of the new date for giving the Notice of Status of Conditions.

If a Condition is satisfied during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, WAM must, as soon as practicable, give WDE a notice stating that the Condition has been satisfied.

4.11 Compulsory acquisition

(a) Post bid compulsory acquisition

WAM has stated in Section 7.3 of the Bidder's Statement that if it controls 90% or more of the WDE Shares and becomes entitled to proceed to compulsory acquisition under the Corporations Act, it currently intends to proceed to compulsory acquisition of the remaining WDE Shares.

This compulsory acquisition regime is set out under Part 6A.2 of the Corporations Act. Under this regime, WAM will be entitled to compulsorily acquire any outstanding WDE Shares for which it has not received acceptances on the same terms as apply under the Offer if, during or at the end of the Offer Period, WAM (taken together with its Associates):

- has a Relevant Interest in at least 90% (by number) of WDE Shares; and
- has acquired at least 75% (by number) of WDE Shares for which it has made an Offer.

If WAM is entitled to proceed to compulsory acquisition based on these requirements, WAM will have one month from the end of the Offer Period within which to give compulsory acquisition notices to WDE Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied.

A WDE Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant WDE Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for WDE Shares.

WDE Shareholders should be aware that if they do not accept the Offer and their WDE Shares are compulsorily acquired, those WDE Shareholders may face a delay in receiving the consideration for their WDE Shares compared with WDE Shareholders who have accepted the Offer.

See Section 7.3 of the Bidder's Statement for further details in respect of WAM's intentions if it becomes entitled to proceed with compulsory acquisition of the outstanding WDE Shares.

(b) General compulsory acquisition

Under Part 6A.2 of the Corporations Act, WAM would be entitled to compulsorily acquire any WDE Shares if WAM (either alone or together with a related body corporate) is a 90% holder, meaning it holds either:

- full beneficial interests in at least 90% (by number) of WDE Shares; or

- 90% voting power in WDE and full beneficial interests in at least 90% by value of all securities issued by WDE.

If either of these thresholds are met, WAM will have six months after it becomes a 90% holder within which to give compulsory acquisition notices to the relevant WDE Shareholders. The compulsory acquisition notices sent to the WDE Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the WDE Shares concerned and the independent expert's reasons for forming that opinion.

If WDE Shareholders with at least 10% of WDE Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month from the date of the compulsory acquisition notice), WAM may apply to the court for approval of the acquisition of the WDE Shares covered by the notice. The costs incurred by any WDE Shareholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by WAM, unless the court is satisfied that the WDE Shareholder acted improperly, vexatiously or otherwise unreasonably.

WDE Shareholders should be aware that if they do not accept the Offer and their WDE Shares are compulsorily acquired under Part 6A.2 of the Corporations Act, those WDE Shareholders may face a delay in receiving the consideration for their WDE Shares compared with WDE Shareholders who have accepted the Offer. The consideration they receive may also be different to the Offer Consideration; it could be higher or lower.

5 Your choices

5.1 Your choices

The WDE Directors encourage you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision as to whether or not you should accept the Offer.

As a WDE Shareholder you have three choices currently available to you in responding to the Offer.

The Non-Executive Directors recommend that you ACCEPT WAM's Offer in absence of any superior proposal from another party.

(a) Accept the Offer

WAM has stated that the Offer remains open until the end of the Offer Period, being 7.00pm on 14 October 2018 (unless the Offer is extended or withdrawn). It is possible that WAM will elect to extend the Offer Period in accordance with the Corporations Act (refer to Section 4.6 of this Target's Statement). Details of the Offer Consideration you will receive if you accept the Offer is set out in WAM's Bidder's Statement, and summarised in Section 4.2 of this Target's Statement.

If you accept the Offer made to you and it becomes Unconditional, you:

- will become a holder of WAM Shares, in which case your investment will become subject to the risks specific to WAM and relating to the Enlarged Group (as set out in Sections 8.3 and 8.6 of the Bidder's Statement, respectively), in addition to the risks associated with being a holder of WDE Shares and other general risks (as set out in Section 8.4 and 8.5 of the Bidder's Statement, respectively), and risks set out in Section 2 of this Target's Statement as WAM will become the holder of your WDE Shares;
- may incur a tax liability as a result of your acceptance;
- may be unable to accept any higher offer for your WDE Shares that may eventuate from another party; and
- will be unable to sell your WDE Shares on market.

Additional details of the Offer are set out in Section 4 of this Target's Statement. Details of how to accept the Offer are set out in clause 6 of Schedule 1 of the Bidder's Statement and printed on the Acceptance Form that accompanies the Bidder's Statement.

Importantly Shareholders should note that if WAM improves the consideration under the Offer, all WDE Shareholders, whether or not they have accepted the Offer at that time, will be entitled to receive the improved consideration.

(b) Sell your WDE Shares on market

During the Offer Period, you can sell all or some of your WDE Shares on-market unless you have accepted the Offer in respect of those Shares. If you sell your WDE Shares on-market, you:

- will lose the ability to accept the Offer and receive the Offer Consideration (and any possible increase in the Offer Consideration);
- will not receive the WDE dividend of 2.0 cents per share unless you are on the WDE Share Register on 28 September 2018.
- will lose the ability to accept any other offer for your WDE Shares which may eventuate from another party;
- will receive cash consideration for the sale of your WDE Shares which may be more or less for your Shares than the value of the Offer Consideration;
- will lose the opportunity to receive future returns from WAM;
- may incur a tax liability as a result of the sale; and
- may incur brokerage charges.

The price you will receive for your WDE Shares will depend on the prevailing market price of the WDE Shares at the time of sale. You should be aware that the market price of WDE Shares may rise or fall in the period during which the Offer remains open and following the close of the Offer. The latest price for WDE Shares may be obtained from the ASX website at www.asx.com.au.

WDE Shareholders who wish to sell their WDE Shares on market should contact their Broker for information on how to effect that sale.

(c) Reject the Offer

WDE Shareholders who do not wish to accept the Offer or sell their WDE Shares on market do not need to take any action.

WDE Shareholders should note that if the Offer becomes Unconditional and WAM has a Relevant Interest in at least 90% of the WDE Shares during or at the end of the Offer Period, WAM will be entitled to compulsorily acquire the WDE Shares that WAM does not already own. In that situation, you may be paid later than WDE Shareholders who accept the Offer. For further information in relation to the ability of WAM to compulsorily acquire your shares, see section 4.11 of this Target's Statement.

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6 Frequently asked questions

This Section 6 answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Shareholders. This Section 6 should be read together with all other parts of this Target's Statement and the Bidder's Statement.

Question	Answer
The Offer	
Who is WAM?	WAM Capital Limited is a listed managed investment company on the ASX. WAM's principal activity is making investments in other listed companies. WAM's investment objectives are to deliver a rising stream of fully franked dividends, to provide capital growth and to preserve capital. The investment manager of WAM is Wilson Asset Management.
What is being offered to me?	WAM is offering 1 WAM Share for every 2.5 WDE Shares held by you. However, if you are paid the WDE Dividend, the number of WAM Shares issued to you under the Offer will be reduced. This is because the Offer includes all the Rights attaching to your WDE Shares (which includes dividends). In that event, the consideration you receive will be reduced to 1 WAM Share for every 2.5512 WDE Shares you hold. This is likely to be the case for all WDE Shareholders on the WDE share register as at 28 September 2018.
What is the value of WAM's Offer?	Ultimately, the value of WAM's Offer will depend on the market price of WAM's Shares. WAM's latest share price can be obtained from www.asx.com.au under ASX code WAM.
What are your WDE Directors recommending?	The Non-Executive Directors recommend that you ACCEPT the Offer, subject to there being no superior proposal from another party. John Murray does not make a recommendation. The reasons for the Non-Executive Directors' recommendation are set out in Section 1 of this Target's Statement.
What do your WDE Directors intend to do with their WDE Shares?	Each Non-Executive Director intends to accept or procure the acceptance of the Offer in respect of the WDE Shares they own or control or have a relevant interest in unless a superior proposal emerges from another party.
What is the opinion of the Independent Expert?	WDE engaged Grant Thornton to provide an Independent Expert's Report. Grant Thornton has assessed the realisation value of WDE (post-tax) at 0.9274 per share against an implied consideration per WDE Share under the bid of between 0.9407 and 0.9799 (based on the WDE Shareholders receiving the WDE Dividend). This premium was between 1.4% and 5.7% per WDE Share. The Independent Expert concluded that the Offer is fair and reasonable. See Annexure A of this Target's Statement for the full Independent Expert's Report.
What are the risks associated with becoming a WAM Shareholder?	If you accept WAM's Offer and become a shareholder of WAM, your investment will become subject to the risks associated with WAM.

Question	Answer
	<p>Further information about the risks associated with an investment in WAM are described in detail in Section 8 of the Bidder's Statement as identified in Section 9 of this Target's Statement.</p>
<p>When will I receive the Offer Consideration if I accept the Offer?</p>	<p>If you accept the Offer, and the Offer becomes Unconditional, you will receive the WAM Shares to which you are entitled on or before the earlier of:</p> <ul style="list-style-type: none"> • 21 days after the end of the Offer Period; and • the day one month after the Offer is accepted by you or, if the Offer is subject to Conditions when accepted, one month after the Offer becomes Unconditional (whichever is later). <p>In the Bidder's Statement, WAM has stated an intention to issue the Offer Consideration within seven days of the end of the Offer Period (provided that the Offer has become Unconditional).</p>
<p>What rights will the WAM Shares issued under the Offer have?</p>	<p>The WAM Shares issued under the Offer will be fully paid and rank equally for dividends with existing WAM Shares and have the same rights (including voting rights) as existing WAM Shares.</p> <p>A detailed explanation of the rights and liabilities attaching to WAM Shares is set out in Section 11.3 of the Bidder's Statement.</p>
<p>Will the WAM Shares issued under the Offer be listed on the ASX?</p>	<p>WAM will make an application to the ASX for official quotation of the WAM Shares issued under the Offer within seven (7) days after the start of the Offer Period. Quotation of the WAM Shares to be issued under the Offer will not be automatic but will depend on the ASX exercising its discretion to admit them to the Official List.</p> <p>WAM is already admitted to the Official List of ASX and shares in WAM in the same class or on the same terms as those to be issued are already quoted.</p>
<p>Will I receive the WDE Dividend if I accept the Offer?</p>	<p>If you remain a WDE Shareholder as at 28 September 2018 and you accept the Offer you will still be paid the WDE Dividend. However, if you are paid the WDE Dividend, the number of WAM Shares issued to you under the Offer will be reduced to 1 WAM Share for every 2.5512 WDE Shares. This is because the Offer includes all the Rights attaching to your WDE Shares (which includes dividends). For further information, please see Section 1.11 of the Bidder's Statement.</p>
<p>Will I receive the WAM Dividend if I accept the Offer?</p>	<p>If you are issued WAM Shares under the Offer and you continue to hold WAM Shares at 19 November 2018 you will receive the WAM Dividend. For further information, please see Section 1.11 of the Bidder's Statement.</p>
<p>What are the Conditions to the Offer?</p>	<p>The WAM Offer is conditional upon the satisfaction of certain Conditions. These Conditions include the following:</p> <ul style="list-style-type: none"> • 50.1% minimum acceptance before the end of the Offer Period; • no proposal to change or re-assign the Investment Management Agreement; • no Prescribed Occurrences; • the reported pre-tax NTA of WDE not declining by 5% or more below the pre-tax NTA of WDE of \$0.9722 announced to the ASX in the Monthly Investment Portfolio Update & NTA Report on 14 August 2018; • the S&P ASX 300 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

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Question	Answer
	<p>immediately prior to the date of the Bidder's Statement and remaining at or below that level for at least two consecutive trading days;</p> <ul style="list-style-type: none"> • no material adverse change to the assets, liabilities, financial position, performance, profitability or prospects of WDE and/or its Subsidiaries; • WDE and/or its Subsidiaries do not undertake certain actions such as make or propose to make any variations to its constitution, gives or agrees to give any encumbrance over any of its assets, and appoints any additional person as a WDE Director. <p>Full details of the Conditions are set out in clause 8.1 of Schedule 1 of the Bidder's Statement and summarised in Section 4.9 of this Target's Statement.</p>
<p>What happens if the Conditions are not satisfied or waived?</p>	<p>If at the end of the Offer Period, in respect of any Condition:</p> <ul style="list-style-type: none"> • WAM has not declared the Offer (and they have not become) free from that Condition; or • the Condition has not been satisfied, <p>the Offer will lapse and be unable to be accepted and all contracts resulting from the acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In those circumstances, you will continue to be a WDE Shareholder (unless you otherwise sell your WDE Shares).</p>
<p>When does the Offer close?</p>	<p>The Offer is presently scheduled to close at 7:00pm (Sydney time) on 14 October 2018 (unless extended or withdrawn).</p>
<p>Can WAM extend the Offer Period?</p>	<p>Yes, WAM can extend the Offer in accordance with the Corporations Act in the circumstances described in Section 4.6 of this Target's Statement. However, WAM has no obligation to extend the Offer Period.</p>
<p>What happens if the Offer Consideration is increased?</p>	<p>If WAM increases its Offer Consideration, and you have already accepted the WAM Offer at the time of the increase, you will be entitled to the increased Offer Consideration but you will not be able to accept a higher third party offer or withdraw your acceptance (other than in limited circumstances described in Section 4.7 of this Target's Statement).</p>
<p>I am a Foreign Shareholder. How does the Offer affect me?</p>	<p>If you are a Foreign Shareholder, unless WAM otherwise determines that:</p> <ul style="list-style-type: none"> • it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with WAM Shares on acceptance of the Offer; and • it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia and its external territories, <p>you will not be entitled to receive WAM Shares as consideration for your WDE Shares.</p> <p>If you are a Foreign Shareholder and you accept the Offer, or your WDE Shares are compulsorily acquired, WAM will arrange for the WAM Shares to which you would have been entitled to be issued to a nominee, who will sell your WDE Shares on ASX. See Section 11.12 of the Bidder's Statement for further details.</p>
<p>Will I be forced to sell my WDE Shares?</p>	<p>You cannot be forced to sell your WDE Shares unless WAM proceeds to compulsory acquisition of your WDE Shares.</p> <p>WAM will need to acquire at least 90% of the WDE Shares in order to exercise compulsory acquisition rights. If WAM acquires more than 90% of WDE Shares,</p>

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Question	Answer
	then you will be paid the same Offer Consideration as is payable by WAM under the Offer. See Section 4.11 of this Target's Statement for further details.

Options for WDE Shareholders

What choices do I have as a WDE Shareholder?	<p>As a WDE Shareholder, you have the following choices in respect of your WDE Shares:</p> <ul style="list-style-type: none"> • ACCEPT the Offer in respect of your WDE Shares, in which case you should follow the instructions on the Application Form which was sent to you by WAM together with the Bidder's Statement. Once you have accepted, you may not sell your WDE Shares on market or withdraw your acceptance other than in the circumstances set out in Section 4.7 of this Target's Statement. • SELL some or all your WDE Shares on ASX at any time, which may be at a higher or lower price than the implied value of your WDE Shares under the Offer (unless you have previously accepted the Offer made to you and you have not validly withdrawn your acceptance in the limited circumstances set out in Section 4.7 of this Target's Statement); or • REJECT the Offer in respect of your WDE Shares, in which case you do not need to take any action. <p>If you have already sold all your WDE Shares, no action is required.</p> <p>There are several implications in relation to each of the choices above. A summary of the key implications is set out in Section 5 of this Target's Statement.</p>
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What should I do?	The Non-Executive Directors recommend that you ACCEPT WAM's Offer in the absence of a superior proposal from another party.
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How to respond to the Offer

How do I accept the Offer?	To accept the Offer, you should follow the instructions set out in clause 6 of Schedule 1 of the Bidder's Statement and printed on the Acceptance Form that accompanies the Bidder's Statement.
How do I reject the Offer?	To reject the Offer, you do not need to take any action. If you decide to not take any action, you should be aware of the rights of WAM to compulsorily acquire your Shares in certain circumstances. Refer to Section 4.11 of this Target's Statement for more information on compulsory acquisition.
Can I accept the Offer for part of my shareholding?	No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer made to you for all of the WDE Shares held by you. Your acceptance will be treated as being for all your WDE Shares plus any additional WDE Shares registered as held by you at the date your acceptance is processed.
Can I sell my Shares on-market?	<p>During the Offer Period, you can sell all or some of your WDE Shares on-market unless you have accepted the Offer in respect of those Shares. If you sell your WDE Shares on-market, you:</p> <ul style="list-style-type: none"> • will lose the ability to accept the Offer and receive the Offer Consideration (and any possible increase in the Offer Consideration); • will lose the ability to accept any other offer for your WDE Shares which may eventuate from another party;

Question	Answer
	<ul style="list-style-type: none"> • will receive cash consideration for the sale of your WDE Shares which may be more or less for your Shares than the value of the Offer Consideration; • will lose the opportunity to receive future returns from WAM; • may incur a tax liability as a result of the sale; and • may incur brokerage charges.
<p>What are the consequences of accepting the Offer now?</p>	<p>By accepting the Offer whilst it remains subject to Conditions, you will give up your right to:</p> <ul style="list-style-type: none"> • sell any WDE Shares you hold on market; and • otherwise deal with any Rights attaching to the WDE Shares you hold, <p>whilst the Offer remains open subject to your limited statutory rights to withdraw your acceptance in the circumstances set out in Section 4.7 of this Target’s Statement.</p> <p>If you accept the Offer made to you and it becomes Unconditional, you:</p> <ul style="list-style-type: none"> • will become a holder of WAM Shares, in which case your investment will become subject to the risks specific to WAM and relating to the Enlarged Group (as set out in Sections 8.3 and 8.6 of the Bidder’s Statement, respectively), in addition to the risks associated with being a holder of WDE Shares and other general risks (as set out in Sections 8.4 and 8.5 of the Bidder’s Statement, respectively), and WAM will become the holder of your WDE Shares; • may incur a tax liability as a result of your acceptance; • may be unable to accept any higher offer for your WDE Shares that may eventuate from another party; and • will be unable to sell your WDE Shares on market.
<p>If I accept the Offer now, can I withdraw my acceptance?</p>	<p>You can only withdraw your acceptance in limited circumstances as set out in Section 4.7 of this Target’s Statement, which is if WAM varies the Offer in a way that postpones, for more than one month, the time at which WAM needs to meet its obligations under the Offer.</p>
<p>What are the tax implications of accepting the Offers?</p>	<p>A general description of the tax implications for certain Australian resident WDE Shareholders accepting the Offer is set out in Section 10 of the Bidder’s Statement.</p> <p>As the description is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer. WDE Shareholders should be aware that if WAM does not acquire ownership of at least 80% of WDE Shares, then rollover relief will not be available to WDE Shareholders in respect of any capital gain that is made on the receipt of WAM Shares as consideration.</p>
<p>Will I need to pay brokerage if I accept the Offer?</p>	<p>If you have an Issuer Sponsored Holding you will exchange your WDE Shares for WAM Shares without incurring brokerage fees.</p> <p>If your WDE Shares are held in a CHESS Holding or you hold your WDE Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or services charges connected with you accepting the Offer.</p> <p>If you are a Foreign Shareholder, the cash proceeds that you will be sent (following the sale of WAM Shares that you would otherwise have been</p>

Question	Answer
	entitled to receive under the Offer) will be net of transaction costs and will be paid by cheque in Australian dollars.
Will I need to pay stamp duty if I accept the Offer?	There should be no stamp duty payable by WDE Shareholders upon the issue to them of WAM Shares. WAM have stated in Section 1.22 of the Bidder's Statement that should any stamp duty be payable on the transfer of WDE Shares to WAM pursuant to the Offer due to a change in the relevant legislation during the Offer period, these costs will be paid by WAM.
What happens if I do nothing?	You will remain a WDE Shareholder. However, WAM has stated that if it becomes entitled to compulsorily acquire WDE Shares, it may do so. See Section 4.11 of this Target's Statement for more details.

Other Questions

What is the Bidder's Statement?	The Bidder's Statement is a document issued by WAM which describes the terms of the Offer for your WDE Shares and other information that WAM considers relevant to your decision as to whether or not to accept the Offer made to you. You should read the Bidder's Statement together with this Target's Statement in their entirety and, if required, obtain independent advice from your investment, financial, tax or other professional adviser.
What is the Target's Statement?	This Target's Statement is the formal response by the WDE Board to the Offer, as required by the Corporations Act. This document has been prepared by WDE and contains important information to help you decide whether or not to accept the Offer.
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further questions about the Offer, call Wealth Defender Equities Investor Services on 1300 910 051 between 9.00am and 5.00pm (Sydney time) or email invest@wealthdefenderequities.com.au .

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7 Information relating to WDE

7.1 Overview of WDE

WDE is an actively managed investment company listed on ASX. WDE is managed by the WDE Manager (see Section 7.4 below).

The principal activities of WDE include making investments, mainly in listed large, mid and small cap Australian companies.

Further information in relation to WDE is set out in this Section 7.

7.2 Investment strategy

WDE's investment strategy is to actively manage allocations between equities, derivatives and cash throughout market cycles with the aim of enhancing the long-term performance outcomes by maximising returns when markets rally and cushioning the magnitude of significant losses when markets fall.

WDE's investment portfolio comprises mainly equities in listed large, mid and small cap Australian companies, with the remainder in cash and derivatives.

WDE's investment strategy was modified on 1 August 2018. From this date the WDE Directors decided that the portfolio should no longer constantly carry a level of protection. This means that in the future, the Investment Manager will be able to implement protection strategies on a fully dynamic, discretionary basis.

7.3 Director profiles

Director	Experience and expertise
Alan Schoenheimer <i>Chairman</i>	<p>Alan Schoenheimer has deep knowledge of the global funds management industry having most recently held senior fund management director roles in Australia, New Zealand, Europe (Ireland), Japan, Singapore, Korea and China while working with Russell Investments. Early in his career, he worked for various petrochemical enterprises as a design engineer in Australia, UK, USA and South Africa.</p> <p>Alan is also a director of Nulis Nominees (Australia) Limited, the corporate trustee for the MLC Super Fund.</p> <p>Alan's past directorships include Russell Investment Management Ltd, Russell Investments Ireland Ltd, Russell Investments Japan, Russell Investments New Zealand, Russell Investments Singapore and Ping An Russell (Shanghai) Joint Venture in China.</p> <p>Alan is Chairman of the Board and a member of the Audit and Risk Committee</p>
Paul Clitheroe <i>Non-Executive Director</i>	<p>Paul Clitheroe has had an extensive career within the financial services industry as a company director, key practitioner and also educator. In 1983 along with four partners, he established ipac Securities Limited, one of Australia's first fee for service advisory groups.</p> <p>Paul is Chairman of the Australian Government Financial Literacy Board, Chairman of RADD, Chairman of Money Magazine and the Clitheroe Foundation, a Director</p>

Director	Experience and expertise
	of the University of Sydney Medical Foundation and the Chairman of ASX listed entities InvestSMART Group Limited and Monash Absolute Investment Company Limited.
Richard Morath <i>Non-Executive Director</i>	<p>Richard Morath has over 41 years' experience in life insurance, funds management, banking and financial planning.</p> <p>Richard is currently Non-Executive Director and Chairman of the Advice & Licences Boards of all Financial Planning companies in NAB/MLC and Chairman of BNZ Investment Services Limited. He is also a director of JANA Investment Advisors Limited and BNZ Life. He is also a Director of ASX listed Platinum Capital Limited (as well as being Chairman of its audit committee).</p> <p>Richard is Chairman of the Audit and Risk Committee.</p>
John Murray <i>Executive of the Manager and Director</i>	<p>John Murray established Perennial Value in January 2000 and has some 30 years of experience in the funds management industry. He is one of Australia's most respected value investors and has built a stable team of investment professionals who have consistently delivered strong results, with Perennial Value's flagship Australian Shares Trust having outperformed the broader Australian stock market by approximately 2.3% per annum since inception in March 2000.</p> <p>John was inducted into the Australian Fund Managers Hall of Fame in 2014.</p> <p>John is a director of Perennial Value Management Ltd, Perennial Value Smaller Companies Pty Ltd and Perennial Value Wealth Defender Pty Ltd.</p> <p>John is also a member of the Audit and Risk Committee.</p>

7.4 About the WDE Manager

The WDE Manager, Perennial Value Management Limited (**Perennial**), is a specialist equity manager that was established in January 2000. Perennial, led by John Murray, is owned and operated by the investment management team with IOOF Holdings Limited retaining a significant economic interest.

Perennial holds an Australian Financial Services Licence (**AFSL**) 247 293.

Perennial had funds under management of approximately \$5.6 billion as at the Last Trading Date on behalf of institutional and retail clients.

On 1 August 2018, changes were made to the fees that the WDE Manager is entitled to receive from WDE as follows:

- the management fee of 0.98% (plus GST) per annum was reduced to 0.80% (plus GST) per annum; and
- the WDE Manager was previously entitled to a performance fee of 15% of WDE's net return in excess of the WDE Benchmark return, and this may be payable even when the WDE

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Manager achieves negative absolute returns. This was amended so that the performance fee will continue to accrue but not be payable during the periods of negative returns. Furthermore, the WDE Manager will still be required to make up all past underperformance against the WDE Benchmark to date before any future performance fee is payable.

7.5 WDE financial information

(a) Operating performance

The WDE statutory accounts for the year ended 30 June 2018 were lodged with ASX on 28 August 2018. Investment operations over the year ended 30 June 2018 resulted in a comprehensive profit, net of tax of \$8,222,118 (2017: profit of \$7,609,275) and an operating profit after tax of \$2,737,219 (2017: loss of \$178,943).

(b) NTA performance

The WDE Directors consider that NTA, after fees and expenses, combined with the flow of dividends, is an accurate measure of the performance of WDE.

For the 12 months to 30 June 2018, WDE's NTA on a pre-tax basis, after fees and expenses, increased from \$0.92 per WDE Share to \$0.96 per WDE Share, while the dividend flow for the period was 3.0 cents per WDE Share. This translated into a net return of 7.74% for WDE with dividends reinvested.

On an after tax basis, the NTA backing for each WDE Share at 30 June 2018 amounted to \$0.98 per WDE Share (2017: \$0.95 per WDE Share).

As at 31 August 2018, the pre-tax NTA backing for each WDE Shares was \$0.97.

(c) WDE Dividend

Subsequent to the year-end, WDE declared the WDE Dividend, being a final fully-franked dividend of 2.0 cents per share to be paid on 19 October 2018 to WDE Shareholders that hold WDE Shares on 28 September 2018.

7.6 Further information on WDE

The information on WDE contained in this Target's Statement should not be considered comprehensive. For more information on WDE, please visit <http://wealthdefenderequities.com.au>.

8 Information Relating to WAM

8.1 Disclaimer

The following information in this Section 8 in relation to WAM is based on publicly available information, including information in the Bidder's Statement, and has not been independently verified by WDE. WDE does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on WAM in this Target's Statement should not be considered comprehensive. For more information on WAM, please refer to Section 2 of the Bidder's Statement and visit <http://wilsonassetmanagement.com.au>.

8.2 Overview of WAM

WAM is a listed investment company on ASX and is managed by Wilson Asset Management.

Listed in August 1999, WAM provides investors with exposure to an actively managed diversified portfolio of undervalued growth companies, which are generally small-to-medium sized industrial companies, listed on the ASX. WAM also provides exposure to relative value arbitrages and market mispricing opportunities. WAM's investment objectives are to deliver investors a rising stream of fully franked dividends, provide capital growth and preserve capital.

The Board of WAM is comprised by Geoff Wilson AO (Chairman), Kate Thorley, Dr Phillipa Ryan, James Chirnside, Lindsay Mann and Chris Stott.

8.3 Overview of WAM's interest in WDE

According to the substantial holder notices given to WDE as at 21 September 2018, WAM and its Associates have Voting Power of 20.71% in WDE.

According to Section 5.4 of the Bidder's Statement, as at the date of the Bidder's Statement, WAM had a Relevant Interest in 16.27% WDE Shares and its Associates held 1.88%, therefore WAM and its Associates had Voting Power of 18.15% as at the date of the Bidder's Statement.

9 Risk Factors

In considering this Target's Statement and the Offer, WDE Shareholders should be aware that there are a number of risks associated with both accepting and rejecting the Offer, including risks in relation to the investment performance of WDE and WAM and the future performance of the WDE Shares and the WAM Shares. These risks are disclosed in the Bidder's Statement as identified below, which the Directors consider to be an accurate reflection of the relevant risks, together with the risks set out in Section 2.5.

9.1 Risks specific to the Offer

These risks are set out in Section 8.2 of the Bidder's Statement.

9.2 Risks specific to WAM

These risks are set out in Section 8.3 of the Bidder's Statement.

9.3 Risks specific to WDE

These risks are set out in Section 8.4 of the Bidder's Statement.

9.4 General risks

These risks are set out in Section 8.5 of the Bidder's Statement.

9.5 Risks relating to the Enlarged Group

These risks are set out in Section 8.6 of the Bidder's Statement.

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10 Directors' interests and contracts

- **Details of WDE Directors**

The Directors of WDE as at the date of this Target's Statement are:

Name	Position
Alan Schoenheimer	Chairman
Paul Clitheroe	Non-Executive Director
Richard Morath	Non-Executive Director
John Murray	Executive of the Manager and Director

- **Directors' interests in WAM securities**

As at the date of this Target's Statement no Director has a Relevant Interest in any securities of WAM.

- **Directors' interests in WDE securities**

Except as set out below, no Director has a Relevant Interest in any securities of WDE as at the date of this Target's Statement.

Director	WDE Shares (held directly or indirectly)
Alan Schoenheimer	26,965
Paul Clitheroe	500,000
Richard Morath	30,000
John Murray*	1,036,956

* In addition, John Murray is an executive of the WDE Manager. In that role he is the Investment Manager and also Managing Director of the WDE Manager. The WDE Manager is also the Investment Manager for Perennial Investment Management Limited which holds 7,034,568 WDE Shares.

- **Dealing in WDE securities**

No Director acquired or disposed of a Relevant Interest in any WDE Shares in the four month period ending on the Last Trading Date.

- **Conditional agreements**

No Director is a party to any agreement or arrangement with any other person (including with WAM) in connection with or conditional on the outcome of the Offer, other than in their capacity as a holder of WDE Shares.

- **Interests of Directors of WDE in any contract with WAM**

No Director has an interest in any contract entered into by WAM.

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- **Payments and benefits**

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a WDE Director in connection with their retirement from office in WDE or a related body corporate of WDE.

11 Additional information

- **WDE Share Capital**

As at the date of this Target's Statement, WDE's issued capital is comprised solely of 126,066,347 WDE Shares. WDE has no other securities on issue.

- **Details of Substantial Shareholders**

According to the substantial holder notices given to WDE as at 21 September 2018, the substantial shareholders of WDE, their votes and percentage voting power in WDE is as follows:

Name	No. of votes held	Voting power (%)
Wilson Asset Management Group	22,812,746	20.71%*
IOOF Holdings Limited ACN 100 103 722	9,897,901	7.823%

* The Bidder's Statement discloses that Wilson Asset Management Group had Voting Power of 18.15% as at the date of the Bidder's Statement.

- **Tax considerations for WDE Shareholders**

Section 10 of the Bidder's Statement provides a summary of the potential Australian income tax and capital gains tax consequences generally applicable to WDE Shareholders who dispose of WDE Shares under the Offer.

WDE Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. WDE Shareholders should not solely rely on Section 10 of the Bidder's Statement in relation to the taxation implications of accepting the Offer. In particular, WDE Shareholders who are subject to tax outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident WDE Shareholders.

- **Reliance on information obtained from WAM or public sources**

All of the information concerning WAM contained in this Target's Statement has been obtained from publicly available sources including public documents filed by WAM or information published by WAM on its website. None of the information in this Target's Statement relating to WAM has been verified by WAM or independently verified by WDE or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, WDE makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on WAM in this Target's Statement should not be considered comprehensive.

- **Continuous disclosure**

WDE is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require WDE to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, WDE has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of WDE Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au

Copies of documents lodged with ASIC in relation to WDE may be obtained from, or inspected at, an ASIC office.

• **Other information**

This Target's Statement is required to include all the information WDE Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the WDE Directors.

The WDE Directors are of the opinion that the information that WDE Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in WDE's 2018 full year statutory accounts released to ASX on 28 August 2018; and
- the information contained in this Target's Statement.

The WDE Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The WDE Board does not take any responsibility for the contents of the Bidder's Statement and is not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the WDE Directors have had regard to:

- the nature of the WDE Shares;
- the matters WDE Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of WDE Shareholders; and
- the time available to WDE to prepare this Target's Statement.

• **Approval of the Target's Statement**

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a resolution passed by the WDE Board. John Murray abstained from voting on that resolution.

This Target's Statement is dated 26 September 2018, which is the date on which it was lodged with ASIC.

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12 Consents

Each person named in this Section 12 as having given its consent to being named in, or to the inclusion of a statement in, this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based, other than those statements which have been included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to their name and any statements or reports which have been included in this Target's Statement with the consent of that person.

Independent Expert

Grant Thornton has given and has not, before this Target's Statement is lodged with ASIC, withdrawn, its consent to:

- be named in this Target's Statement as the independent expert engaged by WDE in the form and context in which it is named;
- the inclusion of its Independent Expert's Report and statements noted next to its name, and the references to that report or statements, in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in the Independent Expert's Report or statements that are based on or referable to other statements made by those persons in the form and context in which they are included in this Target's Statement.

Other persons

As at the date of this Target's Statement, Norton Rose Fulbright Australia as legal adviser to WDE has consented to being named in this Target's Statement in the form and context in which it is named and has not withdrawn that consent.

As at the date of this Target's Statement, Link Market Services Limited as the Share Registry has consented to being named in this Target's Statement in the form and context in which it is named and has not withdrawn that consent.

Reliance on ASIC Corporations (Consents to Statements) Instrument 2016/72

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**ASIC Instrument**), this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to the ASIC Instrument, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

As permitted by the ASIC Instrument, this Target's Statement includes references to ASX trading data. Pursuant to that ASIC Instrument, the consent of the person who prepared the trading data is not required for inclusion of that trading data in this Target's Statement.

13 Glossary and Interpretation

- **Definitions**

The following definitions apply in this Target's Statement unless the context requires otherwise:

Acceptance Form means the Acceptance Form provided to you by WAM with its Bidder's Statement containing instructions on how to accept the Offer.

ASIC means the Australian Securities and Investments Commission.

ASIC Instrument means *ASIC Corporations (Consents to Statements) Instrument 2016/72*.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited or the market operated by it (as the context requires).

ASX Settlement means ASX Settlement Pty Limited (ACN 008 504 532).

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement.

Bidder's Statement means WAM's bidder's statement in relation to the Offer dated 30 August 2018.

Broker means a person who is a stockbroker and participant in CHES.

CHES means the Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.

CHES Holding means a holding of WDE Shares on the CHES subregister of WDE.

Conditions means the bid conditions applicable to the Offer summarised in Section 4.9 of this Target's Statement.

Controlling Participant has the meaning given to that term in the ASX Settlement Operating Rules.

Corporations Act means the *Corporations Act 2001* (Cth).

Enlarged Group means WAM with WDE as a wholly-owned subsidiary.

Foreign Shareholder means any WDE Shareholder whose address in WDE's register of members is a place outside Australia and its external territories, to whom it is unlawful for WAM to make the Offer or for whom it is unlawful to accept the Offer.

Grant Thornton means Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987.

Independent Expert means Grant Thornton.

Independent Expert's Report or **IER** means the report of the Independent Expert contained in Annexure A.

Investment Management Agreement means the investment management agreement between WDE and Perennial dated on or around 11 March 2015.

Issuer Sponsored Holding means a holding of WDE Shares on WDE's issuer sponsored subregister.

Last Trading Date means 29 August 2018, being the last day on which WDE Shares traded on the ASX prior to the Bidder's Statement being lodged.

NTA means net tangible assets.

Non-Executive Directors means the non-executive directors of WDE, being Alan Schoenheimer, Paul Clitheroe and Richard Morath.

Notice of Status of Conditions means WAM's notice disclosing the status of the Conditions of the Offer, which is required to be given under section 630(3) of the Corporations Act.

Offer or **Bid** or the **WAM Offer** means the takeover bid by WAM to acquire all of the WDE Shares on the terms and conditions set out in the Bidder's Statement.

Offer Consideration means the consideration offered under the Offer which, as at the date of this Target's Statement, is 1 WAM Share for every 2.5 WDE Shares.

Offer Period means the period within which the Offer is open for acceptance in accordance with the Bidder's Statement and the Corporations Act.

Official List means the official list of entities that the ASX has admitted and not removed.

Perennial or the **WDE Manager** means Perennial Value Management Limited (ACN 090 879 904).

Prescribed Occurrence means the events referred to in Section 652C(1) and (2) of the Corporations Act, which are set out in clause 8.1(c) of Schedule 1 of the Bidder's Statement.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching or arising from WDE Shares directly or indirectly after 30 August 2018 (being the date of the Bidder's Statement), including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities declared or paid by WDE or any of its Subsidiaries).

Subsidiary has the meaning given to that term in the Corporations Act.

Target's Statement means this document, being the statement of WDE under Part 6.5 of the Corporations Act in relation to the Offer.

Voting Power has the same meaning given to that term in section 610 of the Corporations Act.

VWAP means volume-weighted average price.

WAM means WAM Capital Limited (ACN 086 587 395) of Level 11, 139 Macquarie Street, Sydney NSW 2000.

WAM Dividend means a 7.75 cents per WAM Share fully franked dividend announced by WAM on 17 August 2018.

WAM Share means a fully paid ordinary share in the capital of WAM.

WDE or **Company** means Wealth Defender Equities Limited (ACN 602 517 528).

WDE Board or **Board** means the board of directors of WDE.

WDE Director or **Director** means a director of WDE.

WDE Dividend means a 2.0 cents per WDE Share fully franked dividend announced by WDE on 28 August 2018.

WDE Share or **Share** means a fully paid ordinary share in the capital of WDE.

WDE Shareholder or **Shareholder** means a person who is registered as the holder of a WDE Share in the WDE register of members.

WDE Share Registry means Link Market Services Limited of Level 12, 680 George Street, Sydney NSW 2000.

Unconditional means free from all Conditions.

- **Interpretation**

The following rules of interpretation apply unless the context requires otherwise:

- (1) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act (as is appropriate to the context).
- (2) A gender includes all genders.
- (3) The singular includes the plural, and the converse also applies.
- (4) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (5) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.
- (6) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (7) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
- (8) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.
- (9) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.
- (10) A reference to a Section or Annexure is to a section of, or annexure to, this Target's Statement unless otherwise specified.
- (11) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (12) \$, A\$ or AUD is a reference to the lawful currency of Australia.
- (13) A reference to time is a reference to Australian Eastern Standard Time.
- (14) All numbers in this Target's Statement, unless otherwise stated, have been rounded to two decimal places.

Shareholder Information

WEALTH DEFENDER EQUITIES LIMITED ACN 602 517 528

Registered Office

Level 27
88 Phillip Street
Sydney NSW 2000
Email: invest@wealthdefenderequities.com.au
Telephone: 1300 910 051
<http://wealthdefenderequities.com.au>

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Telephone: 1300 554 474
<http://www.linkmarketservices.com.au>

Independent Expert

Grant Thornton Corporate Finance Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Telephone: (02) 8297 2400
<http://www.grantthornton.com.au>

Legal Adviser

Norton Rose Fulbright Australia
Level 18, Grosvenor Place
225 George Street
Sydney NSW 2000

Annexure A – Independent Expert’s Report

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Grant Thornton

An instinct for growth™

Wealth Defender Equities Limited

Independent Expert's Report and Financial Services Guide

25 September 2018

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Directors
Wealth Defender Equities Limited
L27, 88 Phillip Street
Sydney NSW 2000

25 September 2018

Grant Thornton Corporate Finance Pty Ltd
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Dear Directors

Introduction

Wealth Defender Equities Limited (“WDE” or “the Company”) is an investment company listed (“LIC”) on the Australian Securities Exchange (“ASX”) with a market capitalisation of \$109.9 million as at 30 August 2018¹. The Company is externally managed by Perennial Value Management Limited (“Perennial” or “the Manager”) in accordance with the Investment Management Agreement dated 9 March 2015 (“Perennial IMA”). The Manager is mandated to predominantly invest in a portfolio of long positions of large and small cap Australian shares using a value style investment process and to utilise a range of asset allocation and derivative strategies with the aim of cushioning the impact of significant market falls (“Value Investing”)².

On 30 August 2018, WDE announced that it had received an unsolicited, off-market takeover bid from WAM Capital Limited (“WAM”) to acquire 100% of the shares in WDE (“WAM Offer” or “Takeover Offer”) based on a scrip consideration (“Consideration”) of 1 WAM Share for every 2.50 WDE Shares (“Exchange Ratio”).

WAM is offering to acquire all WDE Shares at the Exchange Ratio on a cum-dividend basis³. The WDE Dividend of 2 cents per share (“WDE Dividend”) has a record date of 28 September 2018 and a payment date of 19 October 2018. If WDE Shareholders receive the WDE Dividend, the Exchange Ratio will be adjusted to 1 WAM Share for every 2.5512 WDE Shares (“Adjusted Exchange Ratio”).

As at the date of this report, WAM and its associates hold 22.41%⁴ of the issued capital of WDE.

WAM is listed on the ASX with a market capitalisation of \$1.68 billion as at 30 August 2018⁵. WAM is managed by Wilson Asset Management (International) Pty Limited (“Wilson Asset Management” or “WAM Manager”) which manages seven LICs, including WAM, and more than \$3 billion in shareholders’ capital. WAM provides investors access to an actively managed portfolio of growth and value companies which are generally small to medium sized industrial companies listed on the ASX.

¹ Based on 126,354,065 shares on issue and a closing share price of \$0.87.

² We note that the investment mandate was amended in May 2018 so that the portfolio should no longer constantly carry a level of protection. The Manager will be able to implement protection strategies on a fully dynamic discretionary basis.

³ Shares quoted cum dividend entitle the buyer to the current dividend.

⁴ Based on 28,254,496 shares in WDE controlled by Wilson Asset Management Group & related entities and 126,066,347 WDE shares outstanding as at 24 September 2018.

⁵ Based on 668,363,006 shares on issue and a closing share price of \$2.51.

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The Takeover Offer is subject to the following key conditions (refer to section 1 for details):

- Minimum acceptance of 50.1% of WDE Shareholders.
- No proposal to change or re-assign the Perennial IMA.
- The pre-tax net tangible assets (“NTA”) of WDE not declining by 5% or more below the pre-tax NTA of WDE of \$0.9722 as at 31 July 2018.
- The Standard & Poor ASX 300 Index not closing at a level that is 5% or more below the level of that index on 12 September 2018.

The Non-Executive Directors (being Mr Alan Schoenheimer, Mr Paul Clitheroe and Mr Richard Morath) of WDE recommend that you accept the WAM Offer in the absence of a superior proposal.

Purpose of the report

Whilst there is no legal requirement for the preparation of an independent expert’s report in conjunction with the WAM Offer, the Directors have decided to commission an independent expert’s report to assist the WDE Shareholders in assessing the merits of the WAM Offer.

When preparing the IER, Grant Thornton Corporate Finance has had regard to the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 *Contents of expert reports* (“RG 111”) and Regulatory Guide 112 *Independence of experts* (“RG 112”). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the WAM Offer is FAIR AND REASONABLE to WDE Shareholders in the absence of a superior proposal.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Takeover Offer is fair and reasonable to WDE Shareholders and other quantitative and qualitative considerations.

Fairness Assessment

For the purpose of assessing whether the Takeover Offer is fair to the WDE Shareholders, we have compared the value of WDE Shares on a 100% basis with the value of the Consideration (WAM Shares).

Whilst it is likely that WDE Shareholders will receive the WDE Dividend and accordingly the Exchange Ratio will be adjusted to 2.5512, the financial benefits for WDE Shareholders of not receiving the WDE Dividend and 1 WAM Share for every 2.5 WDE Shares is essentially equivalent to receiving the WDE Dividend and 1 WAM Share for every 2.5512 WDE Shares.

Accordingly, for completeness we have shown the fairness opinion under both the Exchange Ratio and Adjusted Exchange Ratio as per the table below:

Fairness Assessment \$	Section	Exchange Ratio scenario		Adjusted Exchange Ratio scenario		Spot Price ²
	Reference	Low	High	Low	High	
GT assessed value per WAM Share	8.1.2	2.40	2.50	2.40	2.50	2.47
Exchange Ratio/Adjusted Exchange Ratio ¹		2.50	2.50	2.5512	2.5512	2.50
Implied Consideration per WDE Share		0.9600	1.0000	0.9407	0.9799	0.9880
Realisation value of WDE NTA (post-tax)	7.1	0.9474	0.9474	0.9274	0.9274	0.9474
Premium / (discount) (\$)		0.0126	0.0526	0.0134	0.0526	0.0406
Premium / (discount) (%)		1.3%	5.6%	1.4%	5.7%	4.3%
Fairness opinion		FAIR		FAIR		FAIR

Sources: S&P Global, GTCF analysis, Management.

Note (1): Whilst it is likely that WDE Shareholders will receive the WDE Dividend and accordingly the Exchange Ratio will be adjusted to 2.5512, the financial benefits for WDE Shareholders of not receiving the WDE Dividend and 1 WAM Share for every 2.5 WDE Shares is essentially equivalent to receiving the WDE Dividend and 1 WAM Share for every 2.5512 WDE Shares. For completeness we have shown the outcome to WDE Shareholders based on both the Exchange Ratio and Adjusted Exchange Ratio scenarios.

Note (2): Based on WAM's closing price on 14 September 2018, which is the date WAM announced the post-tax NTA as at 31 August 2018, which is the same date Grant Thornton Corporate Finance is adopting to value WDE based on NTA.

The value of the Consideration is **higher than** our assessment of WDE before the WAM Offer on a control basis and accordingly we conclude that the Takeover Offer is **FAIR** to WDE Shareholders under RG 111.

WDE Shareholders should be aware that our assessment of the value per WDE Share should not be considered to reflect the price at which WDE Shares will trade if the WAM Offer lapses or it becomes unconditional. The price at which WDE Shares will ultimately trade depends on a range of factors, including: the liquidity of WDE Shares; macro-economic conditions; the regulatory and political environment; exchange rates; and the performance of WDE's business and in particular the performance of Perennial as Manager of WDE.

Valuation assessment of WDE and WAM

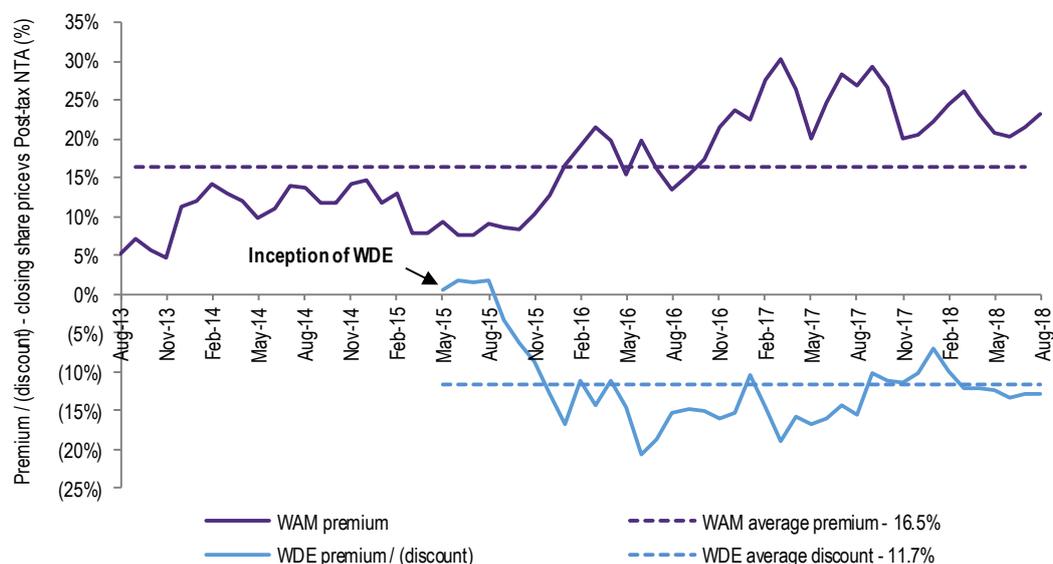
In our valuation assessment of the fair market value of WDE, we have relied on the orderly realisation of assets approach having regard to the balance sheet as at 31 August 2018 whereas in our assessment of the Consideration, we have had regard to the trading price of WAM which in our opinion reflects the market value of the Consideration receivable by WDE Shareholders on a minority basis.

We note that whilst WDE and WAM are both LICs, WDE was trading at a 12.9%⁶ discount to the post-tax NTA as at 31 August 2018 whereas WAM was trading at a premium of 22.8%⁷. This trading performance compared with post-tax NTA is consistent with their historical trading as set out in the graph below.

⁶ Based on last available NTA post-tax of \$0.9926 as at 31 August 2018 and WDE's closing share price as at 29 August 2018, before the announcement of the WAM Offer.

⁷ Based on last available NTA post-tax of \$2.0278 as at 31 August 2018 and WAM's closing share price as at 29 August 2018, before the announcement of the WAM Offer.

WAM and WDE share price premium / (discount) to NTA (post tax)



Sources: S&P Global, WDE Monthly NTA Reports, WAM Investment Update reports, GTCF Analysis.

There are a number of reasons why a LIC would trade at a premium/discount to NTA including the track-record of performance compared with the underlying market, the historical dividend yield, the reputation and track-record of the investment manager and the terms of the investment management agreement.

In our valuation assessment of the Consideration, we have considered it appropriate to rely on WAM's trading price rather than the post-tax NTA of WAM as at 31 August 2018 due to the following:

- As outlined in the graph above, WAM has been trading at a premium to post-tax NTA for a significant period of time and accordingly relying on the post-tax NTA to assess the market value of the Consideration received by WDE Shareholders would have, in our opinion, undervalued it.
- As discussed in section 8.1.1, there is liquidity in WAM trading prices to allow WDE Shareholders to realise the WAM Shares received as consideration at market value. Accordingly, the trading price of WAM Shares represents a reasonable proxy of the value that accepting WDE Shareholders could expect to realise from their investment if they decide to sell the WAM Shares received as consideration.
- We note that if the WAM Offer becomes unconditional and WAM acquires 100% of the issued capital of WDE, WDE Shareholders will collectively hold approximately 5.8%⁸ of the enlarged share capital of WAM on an undiluted basis. Accordingly, they will not be able to influence and change the strategic direction of WAM which is consistent with the portfolio value reflected in WAM's trading price.

Sensitivity on the value per WAM Share

Our valuation assessment of WDE based on the orderly realisation of the balance sheet is substantially fixed as at 31 August 2018 whereas our valuation assessment of the Consideration

⁸ Based on 41,301,440 WAM Shares to be issued to WDE Shareholders not associated with WAM.

offered will depend on the trading price of WAM. Accordingly, we have outlined below a sensitivity table which outlines how the value of the Consideration offered varies in conjunction with different level of WAM's trading price and the impact on our fairness assessment.

WAM Share price sensitivity	WAM share price (\$)												
	2.100	2.200	2.300	2.325	2.350	2.375	2.400	2.425	2.450	2.475	2.500	2.525	2.550
Implied value of the Consideration ¹	0.8400	0.8800	0.9200	0.9300	0.9400	0.9500	0.9600	0.9700	0.9800	0.9900	1.0000	1.0100	1.0200
Realisation value of WDE NTA (post-tax)	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474	0.9474
Premium / (discount) (%)	(11.33%)	(7.11%)	(2.89%)	(1.83%)	(0.78%)	0.28%	1.33%	2.39%	3.44%	4.50%	5.56%	6.61%	7.67%
Fairness opinion	Not fair	Not fair	Not fair	Not fair	Not fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair	Fair

Sources: GTCF Analysis, Management.

Note: (1) WAM Share price divided by the Exchange Ratio.

We note that WAM's trading price closed at \$2.47 on 14 September 2018 and it has varied between \$2.42 and \$2.51 since 31 July 2018.

As set out in the table above, even if WAM's trading price reduces by circa 3.9% from the current level to \$2.375, the WAM Offer would still be fair. If WAM's trading price reduces to or below \$2.35 per share on a cum-dividend basis, the WAM Offer would become not fair.

Reasonableness Assessment

In considering the reasonableness of the Takeover Offer, we have assessed the following advantages, disadvantages and other factors.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access cash flows, access tax benefits and control of the board of Directors of the company.

The WAM Offer represents a premium to WDE's trading price before the announcement of the WAM Offer as summarised below:

- 15.1% compared with the closing price of WDE on 29 August 2018.
- 15.3% compared with the 1 week VWAP of WDE on 29 August 2018.
- 15.0% compared with the 1 month VWAP of WDE on 29 August 2018.
- 16.9% compared with the 3 month VWAP of WDE on 29 August 2018.

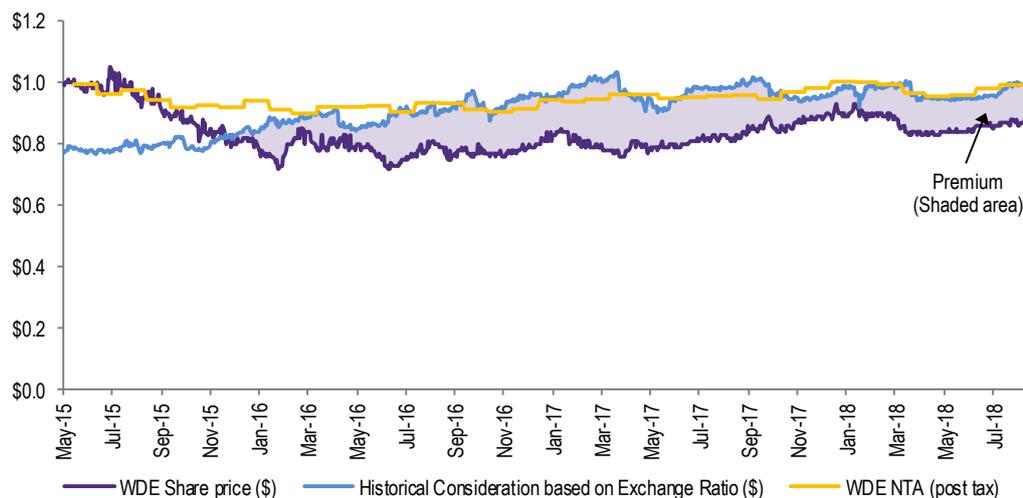
This premium for control will not be available to WDE Shareholders in the absence of the WAM Offer.

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Ability to realise their investments at a premium to post-tax NTA

Accepting WDE Shareholders will realise a price at a premium to the post-tax NTA as at 31 August 2018⁹ which is at a significant premium to WDE's trading price. In the graph below, we have outlined the historical value of the Consideration offered based on the Exchange Ratio and compared it with WDE's trading price and monthly post-tax NTA.

WDE Share price vs. the historical value of the Consideration based on the Exchange Ratio



Sources: S&P Global, GTCF Analysis.

Since listing in 2015, the Company and the Manager have been exploring various initiatives aimed at allowing WDE Shareholders the opportunity to close the discount to NTA. However, in our opinion, it is unlikely that WDE Shares will trade in line with the implied value of the Consideration offered and at a premium to post-tax NTA in the short-term in the absence of the Takeover Offer or an alternative transaction.

No likelihood of a superior outcome for WDE Shareholders

As discussed before, we have undertaken our valuation assessment of WDE on an orderly realisation basis which could represent an alternative course of action for the Directors and the Manager to propose to WDE Shareholders to realise a price of their investment based on the NTA. We note however that in order to implement a liquidation/wind-up of the Company to realise the value of the portfolio and distribute the cash back to the WDE Shareholders, a special resolution approved by 75% of WDE Shareholders casting their vote is required.

WAM currently holds circa 22.41%¹⁰ of the issued capital of WDE and it may not necessarily be in the best interest of WAM Shareholders or Wilson Asset Management to liquidate WDE as the WAM Offer is a more value accretive option for them.

Accordingly, whilst we have valued WDE based on an orderly realisation basis, this may not necessarily be a pursuable outcome for WDE Shareholders. We also note that WAM's shareholding

⁹ Based on the current trading price of WAM.

¹⁰ Based on 28,254,496 shares in WDE controlled by Wilson Asset Management Group & related entities and 126,066,347 WDE shares outstanding as at 24 September 2018.

in WDE may block or prevent any alternative interest parties to try to takeover the Company without prior agreeing with WAM.

In our opinion, the WAM Offer represents the best possible outcome for WDE Shareholders to realise a price of their investment above or in line with the NTA in the short term.

Increased size, equity market presence and liquidity

Accepting WDE Shareholders deciding to retain their WAM Shares will benefit from the increased scale and liquidity generated by combining the operations of WDE and WAM which should enhance the ability to exit their investments at market value.

Disadvantages

Potential overhang effect on WAM trading prices

We have assessed the fair market value of the Consideration based on the trading price of WAM which, in our opinion, represents a proxy of the value that WDE Shareholders will be able to realise if they decide to sell them on-market. However, we note that the WDE Shareholders will collectively receive circa 41.3 million WAM Shares based on the Exchange Ratio (excluding WDE Share held by WAM) which is significantly higher than the daily average trading volume of WAM of c. 0.4 million over the last six months. Accordingly, if all WDE Shareholders seek to sell WAM Shares immediately after they receive them, it may create an overhang effect and depress WAM trading prices. Under those circumstances, the price that WDE Shareholders will be able to realise from the sale of WAM Shares may be lower than our valuation assessment. Please refer to our sensitivity analysis on the value of Consideration in conjunction with different level of WAM Shares included in the executive summary.

WDE Shareholders have no certainty of receiving the WAM dividend

As set out in the Bidder's Statement, if WDE Shareholders receive the WDE Dividend before accepting the WAM Offer¹¹, the exchange ratio will be adjusted to 2.5512 WDE Shares for 1 WAM Share as the exchange ratio of 2.50 WDE Shares for 1 WAM Share is on a cum-dividend basis.

Accepting WDE Shareholders will also be entitled to the WAM dividend if the WAM Shares are issued to the WDE Shareholders before the WAM dividend record date (19 November 2018).

We have set out below the key dates for the dividend payments of WAM and WDE.

Dividend payments - Summary		
	WDE	WAM
Dividend Distribution	2 cents per share	7.75 cents per share
Fully Franked	Yes	Yes
Ex-Dividend date ¹	27 September 2018	16 November 2018
Record Date ²	28 September 2018	19 November 2018
Payment Date	19 October 2018	26 November 2018

Sources: WDE Dividend announcement dated 28 August 2018 and WAM dividend announcement dated 17 August 2018.

Notes: (1) Usually one business day before the record date. To be entitled to a dividend a shareholder must have purchased shares before the ex-dividend date; (2) The date used in determining who is entitled to a dividend or other entitlements associated with a security.

¹¹ If they are still WDE Shareholders on the record date, they will receive the WDE Dividend.

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Based on the Bidder's Statement, accepting WDE Shareholders will receive the WAM Shares as consideration within one month of the later of:

- The date they accept the offer.
- The date that the WAM Offer becomes unconditional.

In any event, WDE Shareholders will receive WAM Shares within 21 days after the end of the offer period assuming the WAM Offer was unconditional. However, WAM has indicated in the Bidder's Statement that it is WAM's intention to issue the WAM Shares to accepting WDE Shareholders within 7 days of the end of the offer period provided that the WAM Offer is unconditional.

If the offer period (currently between 13 September 2018 and 14 October 2018) is extended by 30 days to 13 November 2018¹², accepting WDE Shareholders may receive their shares after the ex-dividend date for WAM Shares¹³ and accordingly they will not be entitled to receive the WAM dividend. Whilst we note that this is unlikely given that WAM has indicated in the Bidder's Statement that it intends to issue the WAM Shares to accepting WDE Shareholders within 7 days of the end of the offer period, it is nonetheless a possibility as WAM has no obligation to do so.

As set out in the Bidder's Statement, whilst the Consideration is adjusted downward if WDE Shareholders receive the WDE Dividend before accepting the WAM Offer¹⁴, the Consideration is not adjusted upward if WDE Shareholders do not receive the WAM Dividend which means that WDE Shareholders will be worse-off by 3.1 cents as outlined below.

Consideration analysis	Cum-Div	Ex -Div
Closing WAM share price the day before Bidder's Statement (\$) ¹	2.490	2.413
Exchange ratio	2.500	2.500
Equivalent value for WDE Shares (\$)	0.996	0.965
Difference for WDE Shareholders (cents)		(3.1)

Source: GTCF analysis

Note: (1) The dividend of 7.75c has been deducted from the cum-dividend price \$2.49.

Accordingly, we have outlined in the table below a sensitivity analysis of the fairness assessment assuming that WDE Shareholders will not receive the WAM dividend.

¹² We note that the offer period can be extended by a maximum of 30 days without giving the opportunity to WDE Shareholders who have accepted the WAM Offer to withdraw their acceptance.

¹³ In the case that they accept the WAM Offer towards the end of the offer period (13 November 2018) and the consideration is paid 21 days after the end of the offer period.

¹⁴ The Exchange Ratio increases from 2.50 WDE Shares for 1 WAM Share to 2.5512 WDE Shares for 1 WAM Share.

Fairness assessment sensitivity - WDE Shareholders do not receive the WAM dividend	Section	Low	High
\$	Reference		
GT assessed value per WAM Share	8.1.2	2.40	2.50
Less: WAM Dividend		0.0775	0.0775
GT assessed value per WAM Share (excluding WAM dividend)		2.3225	2.4225
Exchange Ratio		2.50	2.50
Implied Consideration per WDE Share		0.9290	0.9690
Realisation value of WDE NTA (post-tax)	7.1	0.9474	0.9474
Premium / (discount) (\$)		(0.0184)	0.0216
Premium / (discount) (%)		(1.9%)	2.3%
Fairness opinion		FAIR	

Source: GTCF analysis, WAM Bidder's Statement.

As outlined above, we note that our fairness conclusion would not be different if the value of WAM Shares is considered on an ex-dividend basis.

DTA not captured in our valuation

The audited balance of WDE as at 30 June 2018 included deferred tax assets of \$3.23 million¹⁵ which mainly comprises historical tax losses (\$1.85 million) and unrealised losses on the value of the investments and derivatives (\$1.12 million). In the case of an orderly realisation of the investment portfolio in the short-term, WDE will not be able to realise the deferred tax assets ("DTA") as the value of its portfolio is overall below the acquisition price and accordingly WDE will not realise a taxable profit on realisation. Accordingly, in our valuation assessment based on the orderly realisation, we have reduced the post-tax NTA by the DTA as at 31 August 2018¹⁶.

For completeness, we note that our fairness conclusion would not be different if the value of the DTA was included in the post-tax NTA as set out in the sensitivity analysis below on a cum-dividend basis.

Fairness assessment sensitivity - WDE DTA included in NTA	Section	Low	High
\$	Reference		
GT assessed value per WAM Share	8.1.2	2.40	2.50
Exchange Ratio		2.50	2.50
Implied value of the Consideration Offered per WDE Share		0.9600	1.0000
Realisation value of WDE NTA (post-tax) (including DTA)		0.9732	0.9732
Premium / (discount) (\$)		(0.0132)	0.0268
Premium / (discount) (%)		(1.4%)	2.8%
Fairness opinion		FAIR	

Source: GTCF Analysis, Management.

WDE is expected to be less impacted than WAM by a significant market downturn

Core to the establishment of WDE and the Perennial IMA was the set-up of dynamic protection strategies aimed at cushioning the impact of significant market downturns on investor capital. The Company provides downside protection to investors via the use of derivatives. The Company initially envisaged that the cost of this protection strategy would be 1% to 2% per annum over the long-term,

¹⁵ The Company has indicated that the DTA as at 31 August 2018 is not materially different from the DTA as at 30 June 2018.

¹⁶ As advised by Management, the DTA balance (unaudited) at 31 August 2018 was \$3,251,045.

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however the actual costs have been higher than initially envisaged and it has affected the dividend payable by WDE and the historical investment returns¹⁷. Accordingly in May 2018, the Directors decided to amend the investment strategy and to have a more flexible approach to capital protection by allowing the Manager to implement protection strategies on a full dynamic, discretionary basis (i.e. the Manager will only hold protection at times when it considers it is appropriate in view of its market outlook).

Currently the Manager holds a significant level of protection as a market correction is now considered more likely than not by many market commentators and analysts. If a significant market decrease occurs, WDE's investment portfolio would be affected relatively less than the WAM portfolio, even after considering that circa 26% of WAM's portfolio is currently held in cash and fixed interest investments¹⁸.

As summarised in the table below, if the market crashes overnight by 10%, 15% or 20%, the value of the investment portfolio of WDE will reduce by 6.46%, 8.25% or 9.48% respectively whereas the investment portfolio of WAM is expected reduce by 7.4%, 11.1% or 14.8% respectively¹⁹.

Accordingly, the WAM Offer would still be considered fair in conjunction with a market crash of 10%, marginally not fair if the market reduces by 15% and not fair if the market falls by 20%.

Illustrative scenario - Fall in ASX 200		
	Low	High
Scenario 1: 10% fall in ASX 200		
WDE NTA (post tax) after 10% fall in ASX 200 ¹	0.8843	0.8843
Consideration Offered after 10% fall in ASX 200 ⁴	0.8639	0.9014
Offer consideration premium / (discount) to WDE Net Asset value following 10% fall in ASX200	(2.3%)	1.9%
Fairness opinion	FAIR	
Scenario 2: 15% fall in ASX 200		
WDE NTA (post tax) after 15% fall in ASX 200 ²	0.8669	0.8669
Consideration Offered after 15% fall in ASX 200 ⁴	0.8294	0.8654
Offer consideration premium / (discount) to WDE Net Asset value following 15% fall in ASX200	(4.3%)	(0.2%)
Fairness opinion	MARGINALLY NOT FAIR	
Scenario 3: 20% fall in ASX 200		
WDE NTA (post tax) after 20% fall in ASX 200 ³	0.8549	0.8549
Consideration Offered after 20% fall in ASX 200 ⁴	0.7949	0.8295
Offer consideration premium / (discount) to WDE Net Asset value following 20% fall in ASX200	(7.0%)	(3.0%)
Fairness opinion	NOT FAIR	

Source: GTCF Analysis, Management, WAM August 2018 Investment Update.

Notes: (1) Assuming a 6.46% fall in the value of the Investment Portfolio based on a point in time analysis as at 12 September 2018, as advised by Management; (2) Assuming an 8.25% fall in the value of the Investment Portfolio based on a point in time analysis as at 12 September 2018, as advised by Management; (3) Assuming a 9.48% fall in the value of the Investment Portfolio based on a point in time analysis as at 12 September 2018, as advised by Management; (4) WAM's portfolio consists of c.26% cash at 31 August 2018. Accordingly, we have assumed a reduction in the portfolio value (excl. cash) proportionate to the fall in the ASX.

¹⁷ Another key cause of the underperformance was the remarkably better performance of growth style investments versus value style investments.

¹⁸ As per WAM's August 2018 Investment Update report.

¹⁹ WDE Shareholders should be aware that the accuracy of these calculations may be limited by the fact that it is only based on publicly available information for WAM and it is a point in time analysis at 12 September 2018 and subject to changing market conditions and option prices.

We note that the sensitivity table above is only for illustrative purposes as Grant Thornton Corporate Finance is not attempting to forecast a significant market crash and our assessment of WAM NTA is only based on publicly available information. However WDE Shareholders should be aware of the following risks/disadvantages of the WAM Offer:

- The magnitude of the historical WDE share price discount to the NTA was driven, among other factors, by the cost incurred by the Manger to protect WDE Shareholder investments in a downturn. These protection strategies were unfortunately implemented in strong market conditions which saw at the end of August 2018, the longest bull market in history²⁰.
- The change of investment strategy announced by the Board in May 2018 has been implemented since 1 August 2018, accordingly, accepting WDE Shareholders will not be able to verify if it will assist to reduce the discount to NTA.
- In our opinion, the trading price premium to NTA of WAM is likely to be relatively more adversely affected in a bearish market which may further affect the value of the Consideration received by WDE Shareholders. For example, we note that at the beginning of February 2018 when the ASX experienced sharp declines in prices, the premium between the Consideration and WDE's share price reached its lowest level since May 2016.

Exchange rate based on the respective NTA

We have assessed the WAM Takeover fair to WDE Shareholders based on the Exchange Rate of 2.5 WDE Share for 1 WAM share and having regard to our valuation assessment of WDE based on the realisation NTA and WAM on the trading prices.

However, we note that if a consistent approach based on the NTA is adopted for both WDE and WAM, the implied exchange ratio of WAM NTA to WDE NTA is reduced to 2.04 as at 31 August 2018 which is significantly more favourable to WDE Shareholders.

We set out below our calculation of the implied exchange ratio based on the NTA (post-tax) of WDE and WAM:

Implied exchange ratio based on NTA (post-tax) at 31 August 2018	
WAM NTA	2.0278
WDE NTA	0.9926
Implied Exchange ratio	2.043

Sources: WAM August 2018 Investment Update, WDE August 2018 NTA Report.

Potential implications for WDE Shareholders if WAM acquires between 50.1% and 90.0% of WDE Shares.

WDE Shareholders should be aware of the potential implications of not accepting the WAM Offer in the event WAM acquires between 50.1% and 90.0% of WDE, including:

²⁰ A bull market generally begins when the market rises 20% from the low at the end of the bear market which was on 9 March 2009 having regard to the S&P500 benchmark in the US. Since then, it has been circa 3,500 days of steady growth with the benchmark index climbing by more than 320%.

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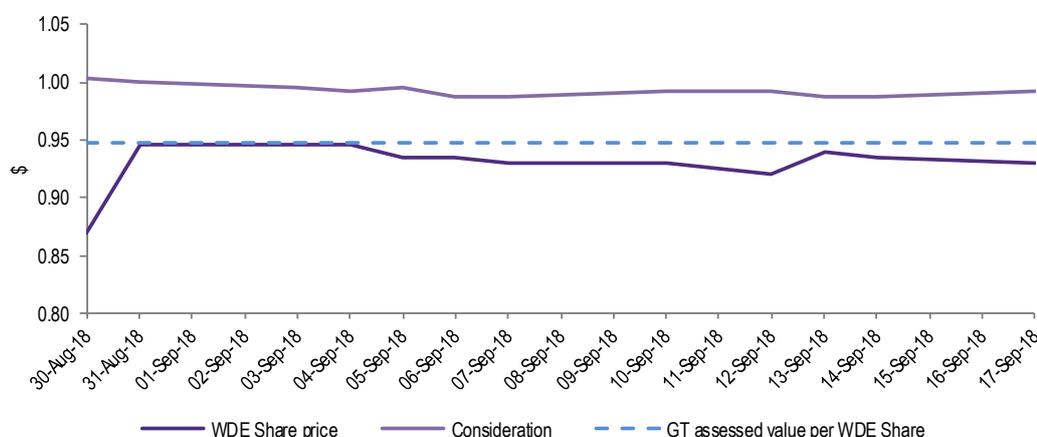
- Wilson Asset Management's style of investment and investment mandate is different from the value investing proposition of Perennial. Whilst the Manager is in charge to make investment decisions in accordance with the investment mandate, the WDE Directors can at any time instruct the Manager or vary any decision of the Manager in the performance of the Manager's functions. As set out in the Bidder's Statement if it holds more than 50.1% of the issued capital of WDE, subject to the Corporations Act, WAM will seek the appointment of a majority of WAM nominees to WDE's Board. Under these circumstances, WDE Shareholders and the performance of the WDE's portfolio may be adversely impacted by the different investment style between Perennial and Wilson Asset Management until the expiry of the Perennial IMA in May 2020²¹.
- As set out in section 10 of the Bidder's Statement, if WAM does not acquire 80% or more of the WDE Shares, WDE Shareholders accepting the WAM Offer will not be able to benefit from capital gain tax rollover relief so that capital gain tax (if any) will be payable.
- The share market price of WDE is likely to trade below the current value of the consideration.
- WDE Shareholders who do not accept the Takeover Offer will hold WDE Shares which may be less liquid than they currently are and the discount to the NTA may widen compared to the level before the WAM Offer.
- Recognising that WAM would be the single largest shareholder of WDE, an offer by an alternative acquirer would only emerge with the support of WAM.

Other factors

Share price after the announcement

As set out below, following the announcement of the WAM Offer, the trading price of WDE has traded between 92 cents and 95 cents which is broadly in line with our assessment of the WAM Offer and our valuation of WDE on an orderly realisation basis. WDE's trading price after the announcement of the WAM Offer seems to indicate good support from investors for the WAM Offer, perceived low risk of the WAM Offer not becoming unconditional and limited expectations for a superior proposal.

²¹ Unless the Perennial IMA is terminated earlier by mutual agreement.

Consideration¹ vs WDE share price after 30 August 2018


Source: S&P Global, GTCF analysis.

Note: (1) Computed as WAM's closing share price divided by the Exchange Ratio.

Share price in the absence of the WAM Offer

In the absence of the WAM Offer or alternative transactions, all else being equal, in our opinion, it is likely that WDE Shares will trade at prices below the consideration offered and in line with the trading price before the announcement of the WAM Offer.

Terms of the IMA and historical performance

In the event the WAM Offer becomes unconditional, Wilson Asset Management will most likely replace Perennial as the investment manager from May 2020²². We have set out below a comparison of the key terms of the Perennial IMA and the Wilson Asset Management IMA for those accepting WDE Shareholders intending to retain the WAM Shares issued as Consideration.

IMAs comparison		
Terms	Perennial IMA	WAM IMA
Management fee	0.8% of NTA (Pre-tax) per annum	1% of gross assets per annum
Performance fee	15% per annum	20% per annum
Benchmark	S&P/ASX 300 Accumulation Index	S&P/ASX All Ordinaries Accumulation Index
Term	5 years ¹	5 years ²

Sources: WDE and WAM's annual reports and prospectuses.

Notes: 1. The Perennial IMA has a term of 5 years, with an automatic five year extension, unless terminated earlier in accordance with the management agreement; 2. The WAM IMA has a term of 5 years and the WAM Manager has the option to extend the term for a further period of 5 years. This option may be exercised repeatedly.

As set out above, if the Takeover Offer becomes unconditional, accepting WDE Shareholders will be subject to Wilson Asset Management's Management fee of 1.0% per annum and performance fee of 20% per annum. In addition, we note that the management fee charged by Wilson Asset Managements is significantly higher than comparable large size LICs investing in growth style Australian equities²³.

²² Unless the Perennial IMA is terminated earlier by mutual agreement.

²³ Comparable companies such as: Australian United Investment Company Limited (management fee 0.13%, \$1.1 billion market cap), Carlton Investments Limited (management fee 0.1%, \$926 million market cap), Diversified United Investment Limited (management fee 0.17%, \$919 million market cap). Data as per ASX Investment Products monthly report dated 31 August 2018.

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We have also outlined below an absolute comparison of the historical returns generated by the two fund managers.

Name of LIC / Benchmark	Performance ¹	
	1 yr	Since Inception ⁴
WDE ²	9.3%	3.8%
S&P / ASX 300 Accumulation Index	15.5%	8.4%
WDE Outperformance / (underperformance) vs benchmark	(6.2%)	(4.5%)
WAM ³	16.9%	17.6%
S&P / ASX All Ordinaries Accumulation Index	16.0%	8.6%
WAM Outperformance / (underperformance) vs benchmark	0.9%	9.0%

Source: GTCF Analysis, WDE August 2018 NTA Report, WAM August 2018 Investment Update.

Notes: (1) Performance for the period ending 31 August 2018; (2) Gross Investment portfolio performance consisting of equities, derivatives and cash, before fees and taxes; (3) Investment performance measures the growth of the underlying portfolio of equities and cash before expenses, fees and taxes; (4) Inception of WDE is May 2015, Inception of WAM is August 1999.

Notwithstanding that Wilson Asset Management has historically obtained higher returns than Perennial, the comparative analysis above should be considered with caution due to the following:

- The two companies operate under different investment strategies. WDE follows a Value Style strategy whereby the Manager predominantly invests in a portfolio of long positions of large and small cap Australian shares using a value style investment with the aim of cushioning the impact of significant market falls. WAM, on the other hand, provides investors access to an actively managed portfolio of growth and value companies which are generally small to medium sized industrial companies listed on the ASX. The long bull market that the Australian market is currently experiencing has during this period favoured WAM's growth style of investment over WDE's Value Style.
- The returns generated by Perennial have been adversely impacted by the requirements in the investment mandate to offer downside protection to investors via the use of derivatives.
- A change in the investment manager does not warrant future returns to be higher than those generated by Perennial.
- Historical returns are not a guide to future performance.

Value of WDE for Wilson Asset Management

If the Takeover Offer becomes unconditional, the transaction is expected to add significant value to Wilson Asset Management. Once the Perennial IMA expires in May 2020, Wilson Asset Management will be able to add circa an additional \$120 million of investments to its platform without any material additional costs. We have calculated that having regard to the asset management fee only, the replacement of Perennial as Manager should be worth circa \$10 million to \$14 million to Wilson Asset Management (excluding performance fees)²⁴.

²⁴ Assuming Perennial will remain the Manager until May 2020 and that Wilson Assets Management will charge a management fee of 1% of gross assets and it will not incur any additional cost to manage WDE's investment portfolio. We have adopted a discount rate of 8% to 10% and a corporate tax rate of 30%.



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Compulsory acquisition

WAM has stated in the Bidder's Statement that, if it acquires 90% or more of WDE Shares and becomes entitled to do so under the Corporations Act, it intends to proceed to compulsorily acquire any outstanding WDE Shares it does not already own. As such, if WAM reaches the 90% compulsory acquisition threshold, remaining WDE Shareholders may wish to consider accepting the WAM Offer prior to the end of the offer period in order to expedite receipt of the Consideration and potentially being able to receive the WAM dividend.

Directors' recommendations and intentions

As set out in the Target's Statement, as at the date of this Report, the Non-Executive Directors of WDE recommend that you accept the WAM Offer in the absence of a superior proposal.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Takeover Offer is **REASONABLE** to WDE Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the WAM Offer is **FAIR AND REASONABLE** to WDE Shareholders in the absence of a superior alternative proposal emerging.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the WAM Offer is a matter for each WDE Shareholder to decide based on their own views of value of WDE and expectations about future market conditions, WDE's performance, risk profile and investment strategy. If WDE Shareholders are in doubt about the action they should take in relation to the WAM Offer, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

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Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by WDE to provide general financial product advice in the form of an independent expert's report in relation to the Takeover Offer. This report is included in WDE's Target Statement.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from WDE a fixed fee of \$100,000 which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of WDE in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.



“Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with WDE (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.”

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of experts” issued by the ASIC.”

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

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7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Takeover Offer

1.1 Key terms of the Takeover Offer

In addition to the details provided in the executive summary of this IER, the other key terms of the Takeover Offer pursuant to the Bidder's Statement are outlined below:

- WDE Shareholders will receive the Consideration within one month of the later of:
 - The date WDE shareholders accept the Takeover Offer; and
 - The date the Takeover Offer becomes unconditional.
 - In any case, WDE Shareholders will receive the Consideration within 21 days after the end of the Offer Period (assuming all defeating conditions are satisfied or waived).
- Minimum acceptance of 50.1% of WDE Shareholders
- No proposal to change or re-assign the Perennial IMA, or no amendment is made to the terms of the Perennial IMA.
- The pre-tax NTA of WDE not declining by 5% or more below the pre-tax NTA of WDE of \$0.9722 as at 31 July 2018.
- The Standard and Poor ASX 300 index not closing at a level that is 5% or more below the level of the index on 12 September 2018, and remaining at or below that level for at least two consecutive days.
- No material adverse change to the business of WDE and/or its subsidiaries.

Refer to the Bidder's Statement and Target's Statement for further details.

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2 Purpose and scope of the report

2.1 Purpose

Section 640 of the Corporations Act requires that a target's statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; and
- for a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- for a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

As at the date of our report, we note that there is no legal requirement to prepare an independent expert's report as WAM does not hold an interest greater than 30% in WDE and there is no common director between WDE and WAM. However, the Directors of WDE have requested Grant Thornton Corporate Finance to prepare an independent expert's report to assist WDE Shareholders to assess the merits of the Takeover Offer and whether the Takeover Offer is fair and reasonable to the WDE Shareholders for the purposes of Section 640 of the Corporations Act.

2.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to RG 111 which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" are in the context of a takeover offer.

As the Takeover Offer is a takeover bid, Regulatory Guide 111 "Content of expert reports" requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - The offeror's pre-existing entitlement, if any, in the shares of the target company.



- Other significant shareholding blocks in the target company.
- The liquidity of the market in the target company's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
- Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.
- The likely market price if the offer is unsuccessful.
- The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover Offer is fair to the WDE Shareholders by comparing the fair market value range of WDE Shares on a 100% and control basis with the value of the Consideration, being 1 WAM Share for every 2.5 WDE Shares.

In considering whether the Takeover Offer is reasonable to the WDE Shareholders, we have considered a number of factors, including:

- Whether the Takeover Offer is fair.
- The implications to WDE and WDE Shareholders if the Takeover Offer lapses.
- The implications to WDE and WDE Shareholders of WAM acquiring between 50.1% and 90% of WDE Shares.
- Other likely advantages and disadvantages associated with the Takeover Offer as required by RG111.
- Other costs and risks associated with the Takeover Offer that could potentially affect WDE Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Takeover Offer with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Takeover Offer other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Takeover Offer.

In our opinion, Grant Thornton Corporate Finance is independent of WDE and its Directors and all other relevant parties of the Takeover Offer.

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2.4 Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around 26 September 2018 in which this report is included, and is prepared for the exclusive purpose of assisting WDE Shareholders in their consideration of the Takeover Offer. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover Offer to WDE Shareholders as a whole. We have not considered the potential impact of the Takeover Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover Offer on individual shareholders.

The decision of whether or not to accept the Takeover Offer is a matter for each WDE Shareholder based on their own views of the value of WDE and expectations about future market conditions, WDE's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."



3 Industry overview

WDE and WAM are LICs which hold a portfolio of primarily ASX listed shares. The portfolio of investments is comprised of shares in a number of industries, including financial, materials, consumer discretionary, consumer staples, telecommunication services, real estate, and industrials in Australia. Set out in this section is an overview of the LIC sector.

3.1 Overview

Listed managed funds on the ASX can be categorised into four groups, namely Australian Real Estate Investment Trusts (“AREIT”), Listed Investment Company and Trust (“LIC” and “LIT”), Infrastructure Funds, and Absolute Return Funds. LICs make up the majority of the listed managed investments entities on the ASX.

LICs allow an investor to invest in a diversified and professionally managed portfolio of financial assets (e.g. listed shares, property, and fixed income assets such as interest bearing deposits). In addition, LICs provide opportunity for investors who do not have the expertise in investments to gain exposure to the risk and returns of investing in the stock market. Investors in LICs can select the investment style that suits their investment objectives, investment horizons and risk preferences.

3.2 LICs structure

As investors make or withdraw from their investments in LICs, investors trade shares in LICs with other investors via the ASX, i.e. LICs do not regularly issue new shares or cancel current shares for investment rebalancing purposes by investors. This characteristic (also known as ‘closed-ended’) is regarded as an advantage for LICs’ management since they can concentrate on investment selection without the risk of unexpected money outflow from the company.

Occasionally, LICs’ size may change through share issuances or via share buy-backs and share cancellations. In addition, most LICs will usually aim to provide income to their shareholders by paying dividends which are franked to the greatest extent possible.

3.3 Investment approaches

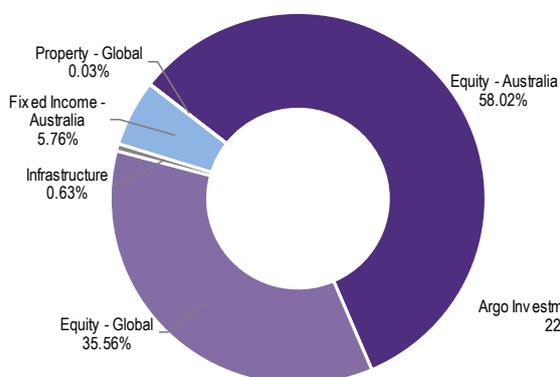
Investment styles and approaches can vary across entities and range from conservative to aggressive. In general, LICs can be divided into four categories:

- Australian share investments: invest primarily in shares listed on the ASX.
- International share investments: invest primarily in shares listed on international stock indices.
- Private equity investments: invest primarily in Australian and/or international unlisted private companies.
- Specialist shares investments: invest primarily in special assets or investment industries such as wineries, technology companies, resources businesses or telecommunications providers.

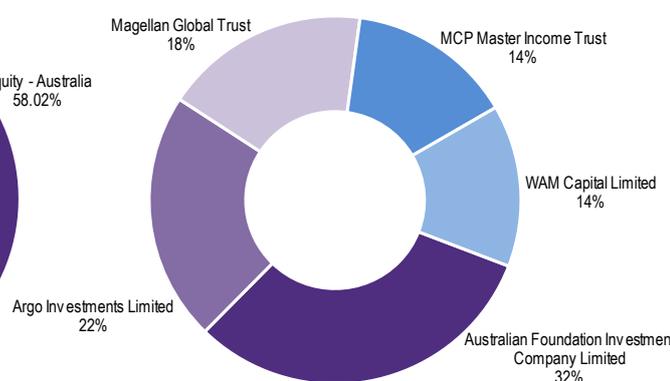
The following charts set out the breakdown of LICs based on investment types and the market breakdown of LICs ranked by value traded as at 31 August 2018:

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Asset Spread of LICs



Top 5 LICs by Value Traded as at 31 August 2018



Source: ASX Investment Products monthly report date 31 August 2018

Based on the above, Australian share investments represent the majority of the listed managed investments market on the ASX in terms of the assets' value, however investments in global equities has increased materially over the last few years.

Three of the top five LICs per value traded are focused on Australian share investments, namely Australian Foundation Investment Company Ltd, Argo Investment Ltd, and WAM Capital Limited. These LICs account for approximately 51.8% of the total transacted value by LICs investing in the Australian equity market in August 2018²⁵.

3.4 Industry drivers

3.4.1 Relative performance

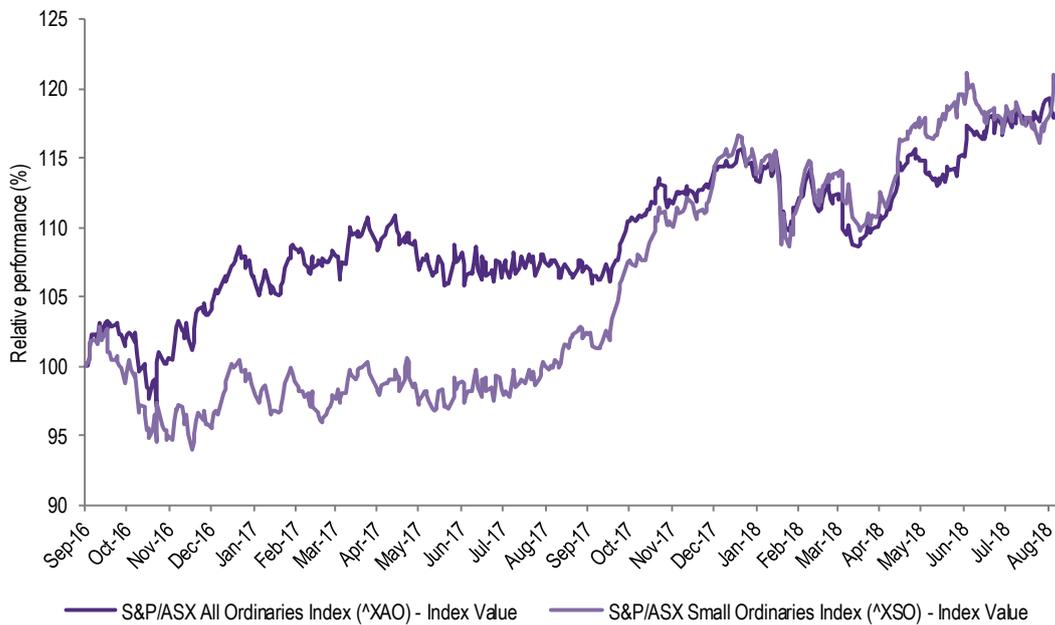
Since LICs hold investments in financial assets across different industries and markets, their performance is highly correlated with the performance of the stock market as a whole.

The following graph represents the historical movements in the All Ordinaries Index and Small Ordinaries over the last two years.

²⁵ ASX Investment Products - monthly update for the period ending on 31 August 2018



Historical All Ordinaries and Small Ordinaries Indices



Source: S&P Global and GTCF calculations

Over the last two years the equity market in Australia has experienced a positive trend. The ASX All Ordinaries Index provided a return of approximately 20% from September 2016. The small to mid-cap companies underperformed large cap companies during 2017 but recovered over the past 9 months generating a return of circa 19% over the 2 years. Recently, in February 2018, the market experienced a downturn losing around \$60 billion in value on 6 February 2018 as a result of investor fears that interests rates would rise faster than anticipated following positive economic news.

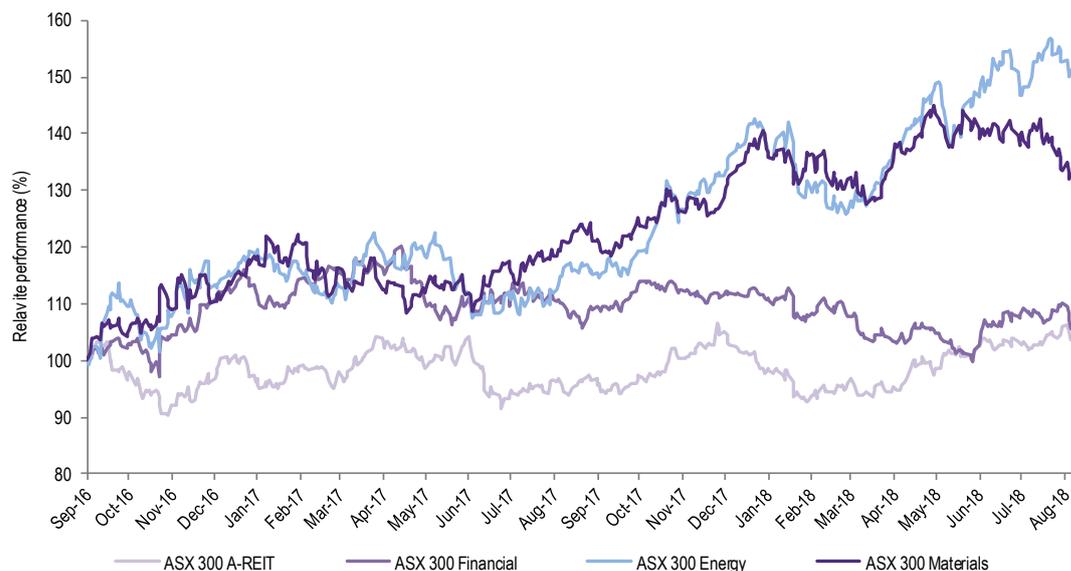
The Australian market was positively influenced by the improving global economic conditions in 2017 and 2018. In 2017, the economic recovery in the major advanced economies continued and growth in China was relatively strong, supporting trade and growth in the more highly trade-exposed economies in East Asia.

One of the major drivers of improving global conditions has been the USA equity market, which in August 2018, has officially entered the longest ever bull run, surpassing the bull market of October 1990 to March 2000. The reasons behind the bull run relate to the US Federal Reserve policies implemented after the Global Financial Crisis (“GFC”) such as low interest rates, the strengthening US economy, strong corporate earnings and the recent corporate tax cut in 2017.

The continued strength of the global economy combined with the low Australian interest rates and growth in public spending, has improved domestic economic conditions. Employment growth has been strong and the unemployment rate has declined, although there is still spare capacity in the labour market and wage growth remains low. The following graph highlights some of the Australian industry sectors indices:

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Historical performance Australian industry sector indices



Source: S&P Global and GTCF calculations

Moving forward, global markets could be affected by the rise in global interest rates coupled with the potential for trade wars, which could increase volatility and reduce trade volumes, affecting economic growth globally. The US Federal Reserves has raised the cash rate six times over the last 2 years, including on 14 June 2018. Furthermore, the United States has imposed tariffs on c.US\$250 billion of imports from China since early July 2018. Meanwhile, the Trump Administration has also increased tariffs on steel and aluminium imports from almost all economies. The European Union, Canada and Mexico have responded with similarly sized tariff increases on a broad range of US imports. The risk is that an increase in protectionist measures could materially weaken the investment outlook and may weigh on confidence and financial market conditions more generally.

3.4.2 Management expense ratio

Management expense ratio (“MER”), also called indirect cost ratio, is a common method to determine the operational efficiency of LICs. The ratio represents the fee paid to the manager of an investment fund in an externally managed LIC and it is normally expressed as an annual percentage.

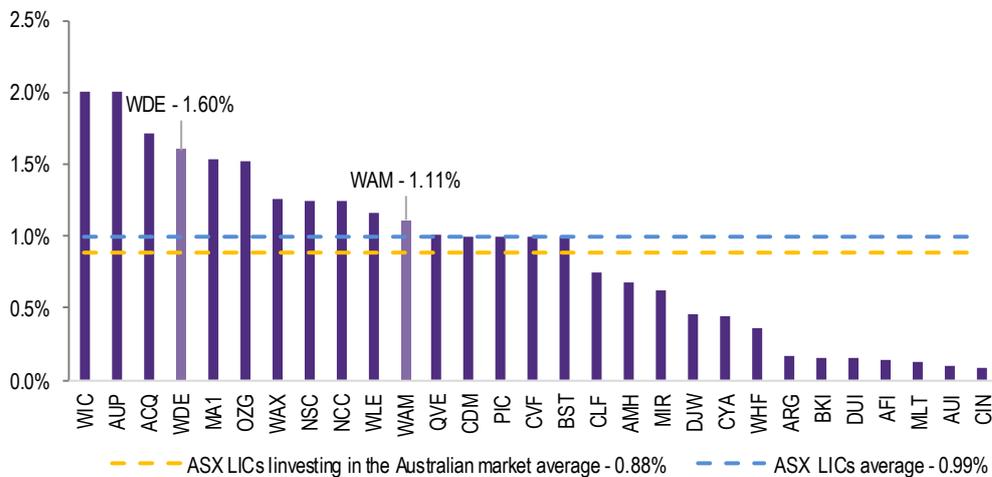
In theory, since the majority of LICs invest primarily in listed equity and the allocations are publicly available, any investor can replicate the portfolios. Unlisted hedged funds and private equity funds are investment classes, which due to their unique and undisclosed investment strategies, are very difficult to replicate. Therefore, managers of unlisted hedge funds and private equity funds generally have higher MER compared to managers of LICs. This is also due to the higher level of sophistication required in the investment selection and negotiation. As a result, MER is one of the drivers for the investors’ demand in the LIC industry.

The following graph summarises MERs across the LIC industry²⁶ based on their latest publicly available information as at 31 August 2018.

²⁶ The companies shown in the graph have a market cap above \$50 million as at 31 August 2018.



Management expense ratio for the ASX listed LICs investing in Australian shares



Sources: Morningstar LICs monthly report dated 31 July 2018, GTCF analysis
Note: The graph shows the companies under their ASX listing codes.

From the above, we note the MER of LICs is in the range of 0.08% to 2.0%. There are two broad approaches to managing LICs, those with external managers and those internally managed. Externally managed LICs tend to have a higher MER.

We also note that among companies investing in the Australian market, LICs with a market cap above \$800 million have a MER which averages around 0.35% which is significantly lower than the industry average of 0.99%. The difference could be associated to the economies of scale which large cap companies are able to exploit. As outlined in the graph below, the MER of WAM is an outlier and comparable to small to mid-size LICs rather than the largest by market capitalisation.

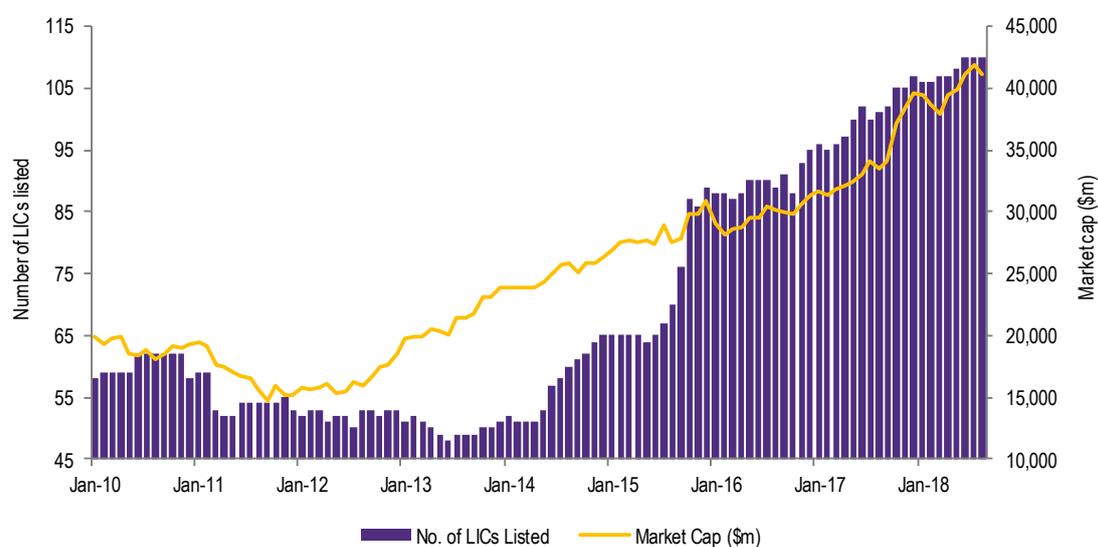
Historical performance

According to the ASX, as at 31 August 2018, the number of LICs and listed investment trusts almost doubled to 110 compared to 58 in January 2010. Over the past two years, the number of LICs has increased by 24%.

The following chart sets out the historical changes in the number of investment companies listed and LICs' total market capitalisation between January 2010 and August 2018.

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LIC market growth



Sources: ASX Investment Products monthly report dated 31 August 2018, GTCF analysis

In 2011 and 2012, the number of LICs decreased. This was mainly driven by large price to NTA discounts which forced LICs to either return capital to shareholders or wind themselves up to deliver full value of the NTA to their shareholders. With the amendment to the Corporations Act in July 2010, the Commonwealth Government changed the dividend regulation to solvency-based from profit-based to provide income certainty to investors. In other words, firms are now allowed to pay dividends as long as they are solvent (i.e. have positive net assets) even if they are not profitable.

In late 2011, even though the number of LICs was lower than in 2010, the industry market capitalisation started to increase. The trend is primarily explained by the oversubscribed shares demand for LIC industry leaders, e.g. WAM Capital, Cadence Capital etc, who have been resilient through the challenging economic conditions with consistent and solid performance.

Another structural change that affected the industry was when the Future of Financial Advice (“FOFA”) came into effect on 1 July 2013, and when the Corporations Amendment (Streamlining Future of Financial Advice) Regulation 2014 commenced on 1 July 2014. Under the FOFA reforms, commissions paid to financial planners by managed funds (but not LICs) was banned. With the incentive for financial planners to choose managed funds removed, LICs now compete with managed funds on a level playing field. LICs are increasingly seen as better vehicles in comparison to managed fund unit trusts by financial planners and advisers due to their liquidity, visibility and long-term fully franked dividend yields.

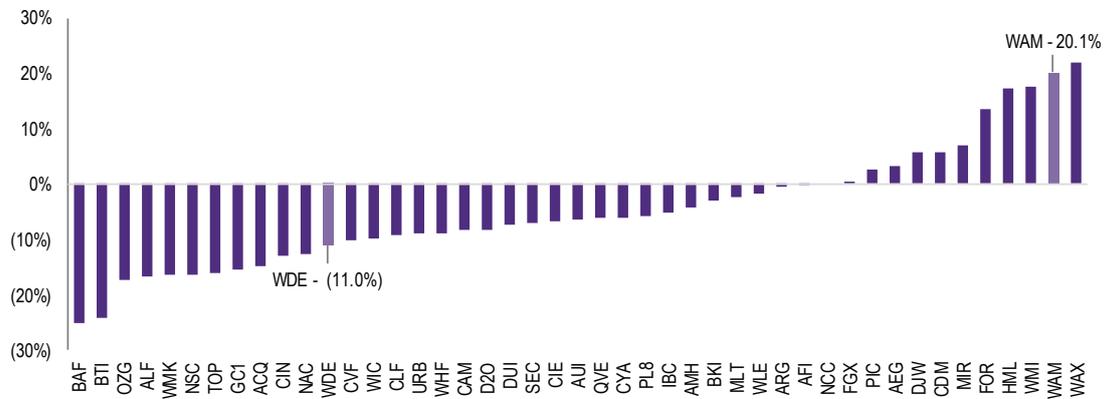
The increase of LICs can also be explained by several advantages that make them a common choice in particular among self-managed super fund investors seeking direct access to fund managers. These advantages include a predictable dividend stream, simple tax treatment and potential capital growth.

3.5 Net tangible assets versus share price

LICs’ value of underlying assets or NTA on a per share basis is a metric required to be disclosed on a regular basis (normally every month) to determine whether a LIC is trading at a premium or a discount to its NTA. The premiums/ discounts to NTA for LICs listed on the ASX as at 31 July 2018 are illustrated below:



Premium/Discount % NTA (pre-tax) as at 31 July 2018



Sources: ASX Investment Products monthly report dated 31 August 2018, GTCF analysis

As can be seen from above, the vast majority of LICs traded at a discount to NTA as at 31 July 2018 (circa 73.3% of them). The weighted average discount to NTA²⁷ of the Australian LICs investing in Australian equities is (0.95%).

There are a range of factors that may cause a LIC to trade a premium or discount to NTA, including but not limited to the following:

- Ability, or perceived ability by the market, to pay a regular stream of fully frank dividends in the future.
- Consistent good performance of the investment portfolio, in absolute terms and relative to the benchmark.
- A skilled management team with a long term experience in trading through various market cycles and implementing proactive marketing and communication initiatives to raise the profile and reputation of the LICs.

²⁷ Using market capitalisation as the weight.

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4 Profile of WDE

4.1 Company overview

WDE is a LIC which holds a portfolio of Australian listed securities. WDE was established and listed on the ASX in May 2015.

Since being established, WDE has been externally managed by Perennial in accordance with the Investment Management Agreement dated 9 March 2015.

Perennial is an Australian owned, specialist equity manager that was established in January 2000. The Manager is owned and operated by the investment management team with IOOF Holdings Limited retaining a significant economic interest. Perennial is led by John Murray and manages approximately \$5.6 billion on behalf of institutional and retail clients as at 31 August 2018.

Perennial is mandated by WDE to predominantly invest in a portfolio of long positions of small, mid and large cap Australian shares using a bottom up, value style investment process and to utilise a range of asset allocation and derivative strategies with the aim of cushioning the impact of significant market falls. The Fund's performance is benchmarked against the S&P/ASX 300 Accumulation Index ("WDE Benchmark"), which it aims to outperform by investing in a diversified portfolio of Australian shares and using protection strategies to protect the portfolio through market cycles.

Initially, the Company expected the cost of this protection strategy would be in the range of 1% - 2% per annum over the long term. However the actual cost has been higher, at an annualised rate of 2.06% since inception²⁸ and reaching close to 4% in 2017, impacting the Company's investment performance and ability to pay dividends.

Accordingly, in May 2018, WDE modified its investment strategy and will no longer carry a constant level of protection, instead implementing protection strategies on a discretionary basis from 1 August 2018.

4.2 IMA between Perennial and WDE

In March 2015, Perennial and WDE signed the Perennial IMA for an initial term of 5 years commencing May 2015 and ending May 2020 ("Initial Term"), subject to automatic 5 year extensions if not terminated by the Manager or WDE after the Initial Term.

Perennial currently charges a management fee of 0.8% per annum on the pre-tax NTA ("Management Fee"), which was reduced effective 1 August 2018 from the 0.98% charged previously. The Management Fee is payable monthly in arrears and is calculated on the last business day of each month. In addition to the Management Fee, Perennial is entitled to a performance fee of 15% of WDE's net return in excess of the benchmark return except in the case when Perennial achieves negative absolute returns ("Performance Fee"). Furthermore, Perennial will be required to make up all past underperformance against the WDE Benchmark before any future Performance Fee is payable. The Performance Fee is calculated on a monthly basis with the accrued Performance Fee payable on an annual basis.

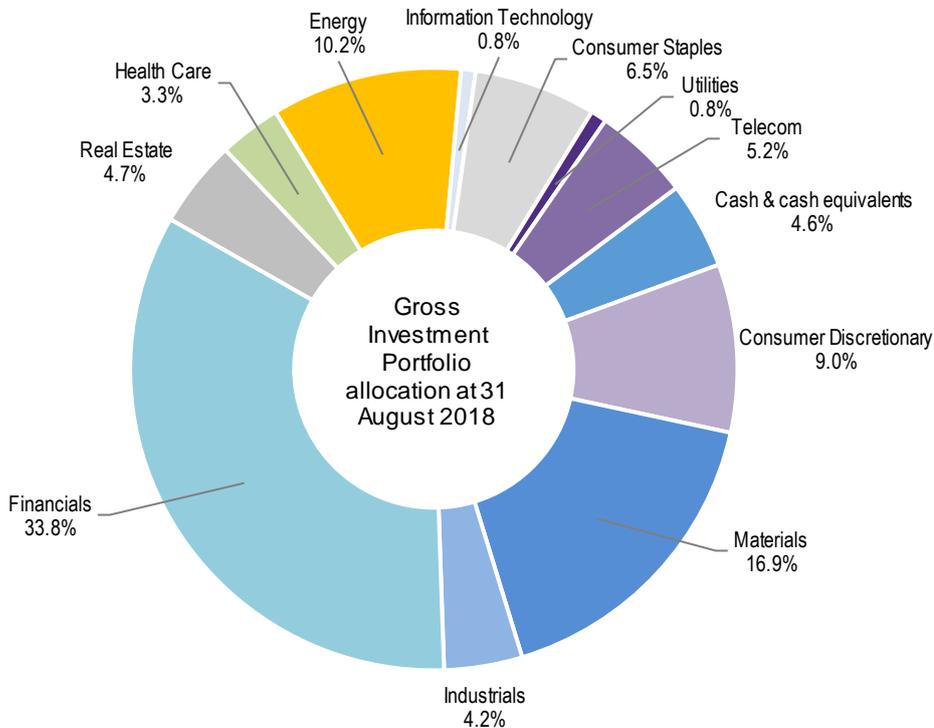
²⁸ As per the August 2018 NTA Report.



4.3 Investment portfolio

WDE's investment allocation as at 31 August 2018 is summarised in the following chart:

WDE Gross Investment Portfolio allocation as at 31 August 2018



Source: WDE Management, GTCF analysis

As at 31 August 2018, WDE's Gross Investment Portfolio comprised 54 companies across a number of different industries including financials, materials, energy, consumer discretionary and consumer staples with approximately a quarter of the portfolio, based on value, attributed to the four major Australian banks.

The top ten equity holdings of WDE's Gross Investment Portfolio as at 31 August 2018 are shown in the table below:

Top 10 equity holdings of the WDE Investment Portfolio as at 31 August 2018	
Company name	% of Gross Investment Portfolio ¹
Commonwealth Bank of Australia	8.0%
BHP Billiton Limited	7.3%
Australia & New Zealand Banking Group Limited	7.2%
Westpac Banking Corporation	6.0%
National Australia Bank Limited	4.7%
Woolworths Limited	3.9%
Woodside Petroleum	3.5%
Telstra Corporation Limited	2.8%
Tabcorp Holdings Limited	2.4%
Amcor Limited	2.4%
Total	48.2%

Source: WDE Management

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4.3.1 Investment performance

Since the fund's inception in May 2015, WDE's returns have underperformed the WDE Benchmark. This can be explained by the long Australian bull market which, to date, has favoured growth style investments as opposed to the value style investments and the cost of providing downside protection to investors which has negatively affected WDE's dividend payments and historical investment returns.

The following table shows the performance of WDE's investment portfolio against the WDE Benchmark.

Name of LIC / Benchmark	Performance ¹	
	1 yr	Since Inception ³
WDE ²	9.3%	3.8%
S&P / ASX 300 Accumulation Index	15.5%	8.4%
WDE Outperformance / (underperformance) vs benchmark	(6.2%)	(4.5%)

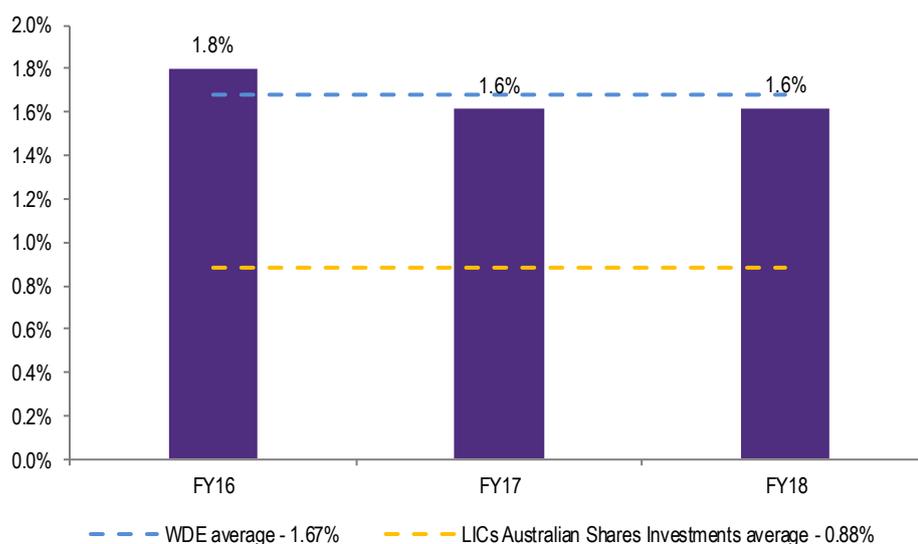
Source: WDE August 2018 NTA Report

Notes: (1) Performance for the period ending 31 August 2018; (2) Gross Investment Portfolio performance consisting of equities derivatives and cash, before fees and taxes; (3) Inception of WDE is May 2015.

4.3.2 Management Expense Ratio

The MER is calculated by dividing total expenses over portfolio investment value, which is a common metric used to determine the operational efficiency of LICs. The MER of WDE over the past three years is summarised below. Going forward the MER is expected to decrease as a result of the lower management fee charged by Perennial from 1 August 2018.

MER of WDE



Sources: Morningstar LICs monthly report dated 31 July 2018, GTCF Analysis



4.4 Financial information

4.4.1 Financial performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last three financial years.

Consolidated statements of comprehensive income	FY16	FY17	FY18
\$	Audited	Audited	Audited
Interest received	117,481	76,629	113,802
Dividends received	5,165,678	4,822,905	5,534,096
Realised (losses) on investments held for trading	(1,718,686)	(4,651,340)	(2,599,050)
Unrealised gains / (losses) on investments held for trading	(1,235,782)	485,093	263,362
Sundry income	71,784	171	-
Total Income	2,400,475	733,458	3,312,210
Management fees	(1,133,198)	(1,138,922)	(1,202,776)
Director's fees	(151,700)	(149,450)	(142,000)
Other fees and expenses	(651,040)	(606,182)	(591,101)
Total Expenses	(1,935,938)	(1,894,554)	(1,935,877)
Profit / (Loss) before income tax	464,537	(1,161,096)	1,376,333
Income tax benefit / (expense)	1,191,221	982,153	1,360,886
Profit / (Loss) attributable to members of the Company	1,655,758	(178,943)	2,737,219

Sources: WDE annual reports

In relation to the above, we note the following:

- WDE reported an operating loss in FY17 as a result of the Company's protection strategies, which generated negative returns of c.4% for the year.
- WDE has realised losses on its investments held for trading in each of the three historical years.
- Other fees and expenses include ASX fees, transaction expenses, accounting and audit fees, operation service fees, and other fees typical for a LIC.

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4.4.2 Financial position

The consolidated statement of financial position of WDE for the last three financial years is presented below:

Consolidated statements of financial position	FY16	FY17	FY18
\$	Audited	Audited	Audited
Cash and cash equivalents	9,497,650	5,313,858	7,202,679
Trade and other receivables	1,076,728	744,413	3,062,998
Financial assets	25,210	3,023,776	4,081,521
Other assets	34,517	30,868	39,888
Total current assets	10,634,105	9,112,915	14,387,086
Financial assets	97,938,097	110,686,931	108,379,257
Deferred tax assets	6,265,782	3,830,818	3,225,046
Total non-current assets	104,203,879	114,517,749	111,604,303
Total Assets	114,837,984	123,630,664	125,991,389
Financial liabilities	-	1,706,516	689,420
Trade and other payables	336,857	1,939,505	772,512
Total current liabilities	336,857	3,646,021	1,461,932
Deferred tax liabilities	39,496	37,450	9,077
Total non-current liabilities	39,496	37,450	9,077
Total Liabilities	376,353	3,683,471	1,471,009
Net Assets	114,461,631	119,947,193	124,520,380

Sources: WDE annual reports

We note the following in relation to WDE's financial position:

- Financial assets and liabilities relate to the company's equities and derivatives investment portfolio.
- Trade and other receivables consist of dividends and distributions where settlement has not yet occurred and sale of securities that are unsettled. Trade and other payables include one month of accrued management fees and purchase of securities that are unsettled.
- Deferred tax assets consist mostly of tax losses and unrealised losses in movement in market value of investments. We note that WDE does not recognise a deferred tax liabilities as the current value of the investment portfolio is lower than the cost base.

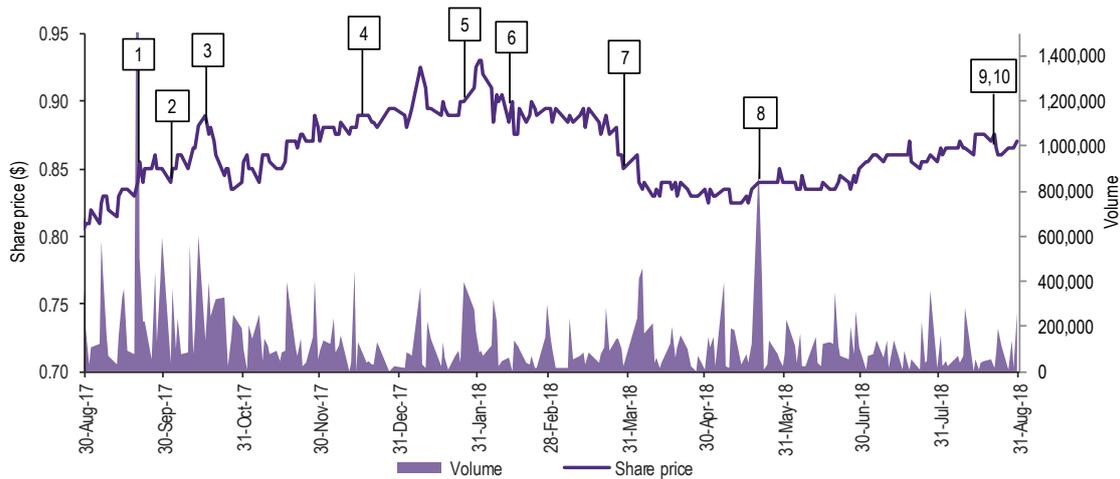


4.5 Share capital structure

As at the date of this report, WDE had 126,066,347 shares on issue and no other securities.

Our analysis of the daily movements in WDE’s share price and volumes for the period from August 2017 to August 2018 is set out below:

Historical share trading prices and volume of WDE



Sources: S&P Global and GTCF analysis

The following table illustrates the key events from August 2017 to August 2018, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	Sep-17	WAM increased its ownership over WDE’s issued capital from 7.33% to 9.47%, acquiring 2.7 million WDE Shares
2	Oct-17	WDE released an investor updated webinar providing the following information regarding the company: <ul style="list-style-type: none"> - Performance improved since start of FY17 due to a partial unwind of defensive trade on rising bond yields and overweight positioning in resources. - Market appears to be moving in favour of value. - Increased concentration in small cap portfolio. - Overlay cost falling now volatility conditions normalised. - Defensive strategy in place which can outperform in a rallying market.
3	Oct-17	WDE performance was positively influenced by the market positive trend over the month. The rally was broad-based, with industrials, banks and resources sectors all posting positive returns.
4	Dec-17	Over November and December, WDE was able to outperform the benchmark, moreover the market kept experiencing a positive trend. In December key drivers of the portfolio were the holdings in AWE and Westfield which both received takeover offers.
5	Jan-18	WDE announced a fully franked interim dividend of 2 cents per share.
6	Feb-18	Data released on US wage growth sparked expectations of higher inflation, which in turn saw bonds sell off on concerns about the pace of interest rate increases. The Australian market and other equity markets around the world followed the fall.

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Event	Date	Comment
7	Mar-18	Ex-dividend date for the fully franked interim dividend of 2 cents per share, declared by WDE in January 2018.
8	May-18	<p>WDE announced a change in investment strategy and management fee;</p> <ul style="list-style-type: none"> - From 1 August 2018, Perennial will be able to implement protection strategies on a fully dynamic, discretionary basis which will alter the actual neutral position of the portfolio which was always ensuring a certain level of protection. - Management fee has been reduced from 0.98% to 0.8%.
9	Aug-18	<p>WDE released the FY18 annual report:</p> <ul style="list-style-type: none"> - WDE's investments provided a return of 13.2% which was lower than the benchmark's return. - WDE declared a fully franked final dividend of 2 cents
10	Aug-18	On 30 August 2018, WAM announced a conditional off-market takeover bid for WDE. The offer consideration is 1 WAM Share for every 2.5 WDE Shares. This represent a premium of 15.1% to WDE's 29 August 2018 share price, 15.0% to WDE's one month VWAP and a premium to WDE's reported NTA pre-tax.



The monthly share price performance of WDE since July 2017 is summarised below:

WDE	Share Price			Average weekly volume 000'
	High \$	Low \$	Close \$	
Month ended				
Jul 2017	0.825	0.795	0.815	699
Aug 2017	0.835	0.805	0.810	594
Sep 2017	0.860	0.810	0.850	1,939
Oct 2017	0.890	0.825	0.855	1,126
Nov 2017	0.895	0.840	0.870	637
Dec 2017	0.900	0.870	0.895	429
Jan 2018	0.935	0.880	0.930	544
Feb 2018	0.935	0.875	0.895	525
Mar 2018	0.895	0.835	0.850	387
Apr 2018	0.860	0.830	0.835	595
May 2018	0.850	0.825	0.840	703
Jun 2018	0.850	0.830	0.850	580
Jul 2018	0.870	0.845	0.865	383
Week ended				
11 May 2018	0.840	0.825	0.825	816
18 May 2018	0.840	0.825	0.835	265
25 May 2018	0.850	0.835	0.840	1,479
1 Jun 2018	0.850	0.840	0.840	462
8 Jun 2018	0.845	0.830	0.835	373
15 Jun 2018	0.840	0.835	0.840	336
22 Jun 2018	0.845	0.835	0.845	788
29 Jun 2018	0.850	0.835	0.850	707
6 Jul 2018	0.860	0.845	0.860	289
13 Jul 2018	0.865	0.855	0.860	354
20 Jul 2018	0.870	0.855	0.855	186
27 Jul 2018	0.865	0.850	0.860	679
3 Aug 2018	0.865	0.855	0.865	266
10 Aug 2018	0.870	0.860	0.865	452
17 Aug 2018	0.875	0.860	0.875	144
24 Aug 2018	0.875	0.860	0.860	461

Sources: S&P Global, GTCF analysis

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4.5.1 Top shareholders

We have set out below the top 20 shareholders of WDE as at 19 September 2018:

Top 20 shareholders of ordinary shares as at 19 September 2018			
Rank	Name	N. of shares	Interest (%)
1	HSBC Custody Nominees (Australia) Limited ¹	24,347,626	19.3%
2	National Nominees Limited ²	7,317,765	5.8%
3	R & R Corbett Pty Ltd	5,000,000	4.0%
4	Moya Pty Ltd	2,000,000	1.6%
5	Egmont Pty Ltd	1,500,000	1.2%
6	A & E Patterson Investments Pty Ltd	1,078,601	0.9%
6	Patterson Family Holdings Pty Ltd	1,078,601	0.9%
7	CS Third Nominees Pty Limited	1,073,338	0.9%
8	Dr Thomas Reginald Sutterby	1,061,000	0.8%
9	Nandaroo Pty Limited	1,036,956	0.8%
10	Abtourk (SYD No 415) Pty Ltd	925,000	0.7%
11	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	777,104	0.6%
12	Mr Victor John Plummer	750,000	0.6%
13	Angeline Capital Pty Limited	700,000	0.6%
14	Mr Geoffrey Victor Day & Mrs Anne Margaret Day	650,000	0.5%
15	Mr Thomas David Jenkins & Mrs Anne Elizabeth Jenkins	560,000	0.4%
16	Angeline Capital Pty Ltd	550,000	0.4%
17	IOOF Investment Mangement Ltd	515,540	0.4%
18	Kelrill Pty Ltd	500,000	0.4%
19	Dr Abraham Phillip Dorevitch & Mrs Vera Dorevitch	451,783	0.4%
20	Brian Robinson Super Fund Pty Ltd	447,710	0.4%
Top 20 shareholders total		52,321,024	41.5%
Total ordinary shares outstanding		126,066,347	100.0%

Source: WDE Management

Note: (1) HSBC Custody Nominees (Australia) Limited is an omnibus account and includes holdings other than WAM. As at 19 September 2018, Wilson Asset Management Group & related entities held a 19.65% interest in WDE; (2) National Nominees Limited is an omnibus account and includes small holdings other than Perennial Value Management Limited and its subsidiary Perennial Investment Management Limited.



5 Profile of WAM

5.1 Company overview

WAM is one of Australia's largest LICs with a market capitalisation of \$1.68 billion as at 30 August 2018. It was established and listed on the ASX in August 1999. WAM Capital provides investors access to an actively managed portfolio of growth and value companies which are generally small to medium sized industrial companies listed on the ASX. Since being established, WAM has been externally managed by Wilson Asset Management in accordance with the IMA ("Wilson Asset Management IMA").

Wilson Asset Management, established by Geoff Wilson in 1997, is an independently owned investment manager and LIC specialist based in Sydney. In 2002, Wilson Asset Management incorporated the investment management company MAM Pty Limited. At the date of this report, Wilson Asset Management manages 7 LICs²⁹ including WAM and one wholesale unit trust for a total of more than \$3 billion.

WAM invests in a portfolio ("WAM Portfolio") composed of small to mid-cap Australian companies by implementing two distinctive strategies: a research driven investment approach and a market driven approach:

- The Research Driven investment approach involves extensive research focusing on free cash flow, return on equity and the quality of the business. Each company is rated with respect to management, earnings growth potential, valuation and industry position.
- The Market Driven investment approach takes advantage of short-term relative arbitrages and mispricing in the Australian equities market. This part of the portfolio is traded actively. Opportunities are derived from initial public offerings, placements, block trades rights issues, corporate transactions (such as takeovers, mergers, scheme of arrangements, corporate spin-offs, restructurings) and listed investment company discount arbitrage.

WAM's investment strategy resembles a growth investing approach and its performance is benchmarked against the S&P All Ordinaries Accumulation Index.

5.2 IMA between Wilson Asset Management and WAM

The Wilson Asset Management IMA has a duration of 5 years and the WAM Manager has the option, which may be exercised repeatedly, to extend the term for an additional 5 years. Under the IMA, Wilson Asset Management charges a management fee of 1% (plus GST) of gross assets per annum. Wilson Asset Management is entitled to a performance fee, to be paid annually in arrears, of 20% of the WAM Portfolio's outperformance compared to the S&P All Ordinaries Accumulation Index (no performance fee is payable in the case of negative returns over the performance review period from 1 July to 30 June).

For the financial year ended on 30 June 2018, the management fee and performance fee, excluding GST, amounted to \$13.5 million and \$339,457 respectively.

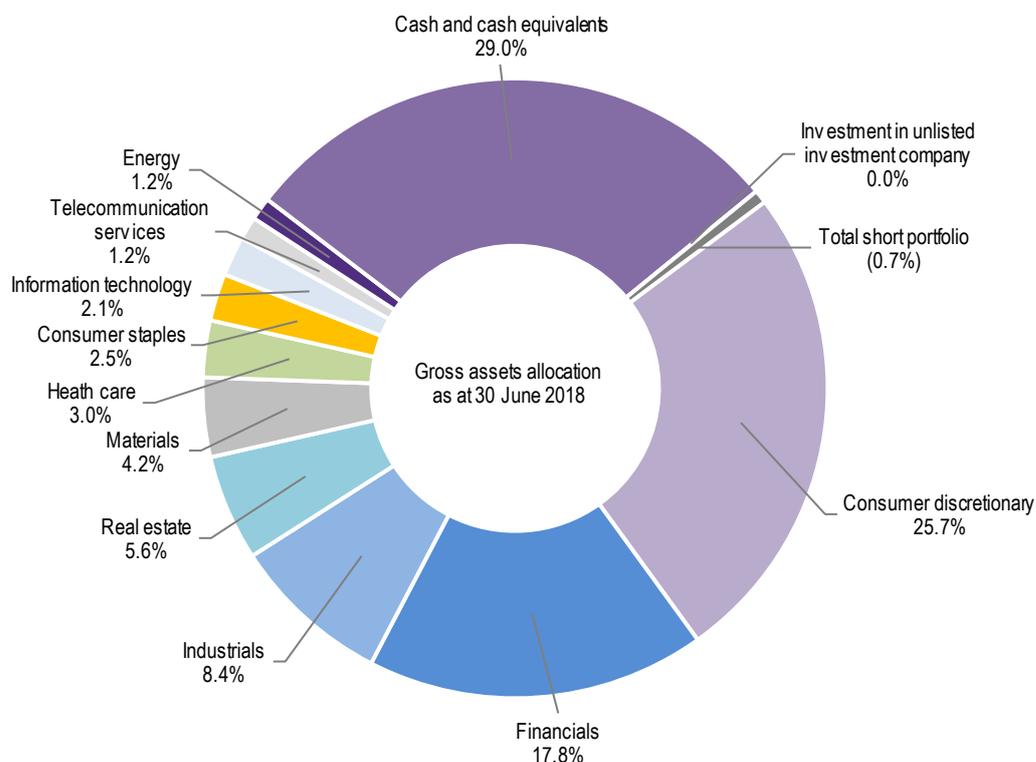
²⁹ Excluding WAM the other 6 LICs are: WAM Leaders Limited (focused on large-cap Australian companies), WAM Global Limited (focused on small to mid-cap international companies), WAM Research Limited (focused on small to mid-cap Australian companies), WAM Active Limited (focused on market mispricing within the Australian equity market), WAM Microcap Limited (focused on micro-cap Australian companies) and Century Australia Investment Limited (focused on large-cap Australian companies).

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5.3 Investment portfolio

WAM's investment allocation as at 30 June 2018 is summarised in the following chart:

WAM Portfolio¹ as at 30 June 2018



Source: WAM annual report 2018

Note: (1) Expressed as % of total gross assets computed as per following: market value of the long portfolio plus market value of the short portfolio plus cash and cash equivalents.

As at 30 June 2018, WAM's Portfolio comprises 112 predominantly Australian companies, with investments in a number of industries, including consumer discretionary, financials, real estate, health care, telecommunication services, consumer staples and energy. In relation to the graph above, we note:

- As at 30 June 2018, the WAM Portfolio is highly invested in cash and cash equivalents, which make up c. 29% of the portfolio. This indicates a conservative approach by the Manager and offers protection in a downside market.
- Excluding cash, the WAM Portfolio is primarily invested in the consumer discretionary and financials sectors which make up 25.7% and 17.8% respectively of WAM's Portfolio.
- The short portfolio is related to the \$9.9 million financial liabilities associated with borrowed stock. WAM provides cash collateral backing of 105% of the fair value of the borrowed stock to the stock lender.
- The unlisted investment includes AMP Capital China growth Fund (\$1.3m) and other unlisted investments (\$1.1m).

The top ten equity holdings of the WAM Portfolio as at 30 June 2018 are shown in the table below:



Top 10 equity holdings of the WAM Portfolio as at 30 June 2018		
Company name	Market value (\$)	% ¹
Nine Entertainment Co. Holdings Limited	42,720,887	3.1%
Pengana International Equities Limited	30,544,140	2.3%
Aveo Group	27,208,734	2.0%
Templeton Global Growth Fund Limited	27,162,785	2.0%
Flight Centre Travel Group Limited	26,979,707	1.9%
PSC Insurance Group Limited	22,487,645	1.7%
Austal Limited	21,400,202	1.7%
Greencross Limited	21,296,858	1.6%
Emeco Holdings Limited	20,962,211	1.6%
FlexiGroup Limited	20,610,731	1.5%
Total	261,373,900	19.4%

Source: WAM annual report 2018

Note: (1) Expressed as % of total gross asset computed as per following: market value of long portfolio plus market value of short portfolio plus cash and cash equivalents.

5.3.1 Historical performance

During FY18, the WAM Portfolio generated returns of 15%³⁰ outperforming the S&P/ASX All Ordinaries Accumulation Index by 1.3%. Since inception in 1999, WAM has generated returns of 17.6% per annum compared to 8.6% for the S&P/ASX All Ordinaries Accumulation Index.

During the financial year, WAM invested in 297 companies and at 30 June 2018 had a portfolio of 112 investments in small to mid-cap companies. The largest contributors to the WAM Portfolio's performance were from the Industrial sector (Seven Group Holdings and Emeco Holdings), and the Information technology sector (Afterpay Touch Group and Bravura Solutions).

WAM utilises its ability to hold high levels of cash to mitigate the effects on its portfolio of high volatility in the market. This strategy provided some protection in terms of preserving capital through such periods in previous market cycles. We note that the Wilson Asset Management IMA does not place a limit on the portfolio cash weighting that WAM can hold. Recently, in early February 2018, WAM implemented this strategy to face the turbulence in the global equities markets started in the USA, which led to the S&P All Ordinaries Index losing 3.2% on 6 February 2018. The WAM cash portfolio weight position moved from 24.3% at 31 January 2018 to 40.7% on 12 February 2018.

The following table shows the historical performance of WAM against the S&P ASX All Ordinaries Accumulation Index as at 31 August 2018.

LIC/Benchmark	Inception date	Performance prior to 31 August 2018 ¹				
		1 yr	3 yrs	2 yrs	10 yrs	Since inception
WAM Capital	Aug-99	16.9%	16.1%	16.1%	15.4%	17.6%
S&P/ASX All Ordinaries Accumulation Index		16.0%	11.8%	9.2%	6.6%	8.6%
Outperformance		0.9%	4.3%	6.9%	8.8%	9.0%

Source: WAM August 2018 Investment Update

Note: (1) Gross Investment portfolio performance consisting of equities, derivatives and cash, before fees and taxes.

³⁰ Measure computed before tax and all costs.

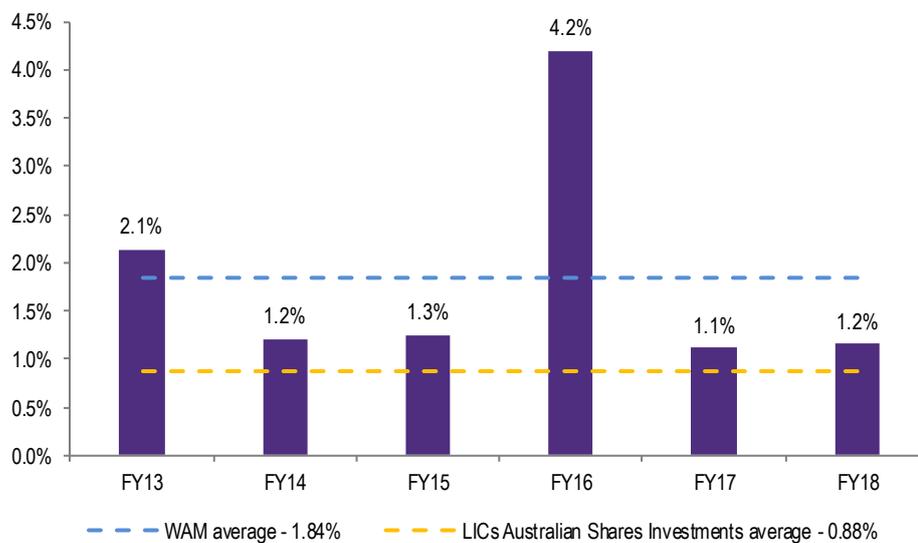
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The performance of WAM has been enhanced by the WAM Manager's growth style of investing which has been favoured by the extraordinary long bull phase that the equity market has experienced since 2009.

5.4 Management Expense Ratio

The MER is calculated by dividing operating expenses by the portfolio investment value which is a common metric to determine the operational efficiency of LICs. The MER of WAM over the past 5 years is summarised below.

WAM MER



Sources: Morningstar LICs monthly report dated 31 July 2018, GTCF analysis

WAM's MER averaged 1.84% over the last five years to FY18. This is significantly higher than the 0.26%³¹ average of other LICs of a similar size³² to WAM.

In FY16 WAM outperformed the benchmark by 19.6% and generated an operating profit \$132.3 million. This caused performance fees in 2016 to increase to \$30.1 million versus \$10.3 million in FY15 and was the primary reason for the 4.2% MER in FY16.

³¹ As per Morningstar LICs monthly report dated 31 July 2018

³² Market cap above \$800 million as at 31 July 2018.

5.5 Financial information

5.5.1 Financial performance

The table below illustrates the Company's audited consolidated statements of comprehensive income for the last three financial years.

Consolidated statements of comprehensive income	FY16	FY17	FY18
\$	Audited	Audited	Audited
Interest received	7,576,300	8,171,432	7,621,716
Dividends and distributions	26,499,658	34,499,795	35,812,071
Net Realised & Unrealised gains / (losses) on investments held for trading	142,946,690	65,529,244	144,556,373
Other revenues	240,144	207,058	207,159
Total Income	177,262,792	108,407,529	188,197,319
Management & performance fees	(39,384,260)	(12,198,844)	(13,846,748)
Brokerage expenses	(4,122,592)	(4,906,503)	(5,174,373)
Other fees and expenses	(1,496,596)	(2,356,463)	(2,309,409)
Total Expenses	(45,003,448)	(19,461,810)	(21,330,530)
Profit / (Loss) before income tax	132,259,344	88,945,719	166,866,789
Income tax benefit / (expense)	(34,265,304)	(20,033,128)	(41,469,154)
Profit / (Loss) attributable to members of the Company	97,994,040	68,912,591	125,397,635

Sources: WAM annual reports

In relation to the above, we note the following:

- In FY16, WAM delivered a return of 21.6%, outperforming the benchmark by 19.6% and paid a fully franked full year dividend of 14.5 cents, an increase of 3.6% over the previous year. For the period, WAM incurred management and performance fee expenses of \$39.4 million including a c.\$30m performance fee.
- Dividends and distributions have grown broadly in line with the growth in the investment portfolio.
- During FY18, WAM provided a return of 15.0%, outperforming the benchmark by 1.3%. The performance was related to the prolonged bull market and the recovery of small to mid-cap companies. As result, net realised and unrealised gains more than doubled to \$144.6 million compared to FY17.

5.5.2 Financial position

The consolidated statement of financial positions of WAM for the previous three years are summarised in the table below.

Consolidated statements of financial position	FY16	FY17	FY18
\$	Audited	Audited	Audited
Cash and cash equivalents	290,991,754	420,024,801	389,675,066
Trade and other receivables	82,302,938	40,035,802	33,758,932
Financial assets	598,828,104	840,804,123	973,929,383
Total current assets	972,122,796	1,300,864,726	1,397,363,381
Deferred tax assets	1,833,204	2,498,108	2,598,344
Total non-current assets	1,833,204	2,498,108	2,598,344
Total Assets	973,956,000	1,303,362,834	1,399,961,725
Financial liabilities	11,504,217	43,544,689	9,851,683
Trade and other payables	55,065,844	19,340,411	31,383,915
Current tax liabilities	18,251,214	13,692,611	20,094,479
Total current liabilities	84,821,275	76,577,711	61,330,077
Deferred tax liabilities	10,385,479	11,886,665	14,798,434
Total non-current liabilities	10,385,479	11,886,665	14,798,434
Total Liabilities	95,206,754	88,464,376	76,128,511
Net Assets	878,749,246	1,214,898,458	1,323,833,214

Sources: WAM annual reports

We note the following in relation to WAM's financial position:

- In FY17 financial assets grew by 40%. The increase was achieved through various capital management initiatives including a share purchase plan, placements, and the acquisition of an unlisted investment company.
- Financial liabilities relate primarily to borrowed stock. The reduction in borrowed stock in FY18 allowed WAM to release circa \$30 million of cash previously utilised as collateral.

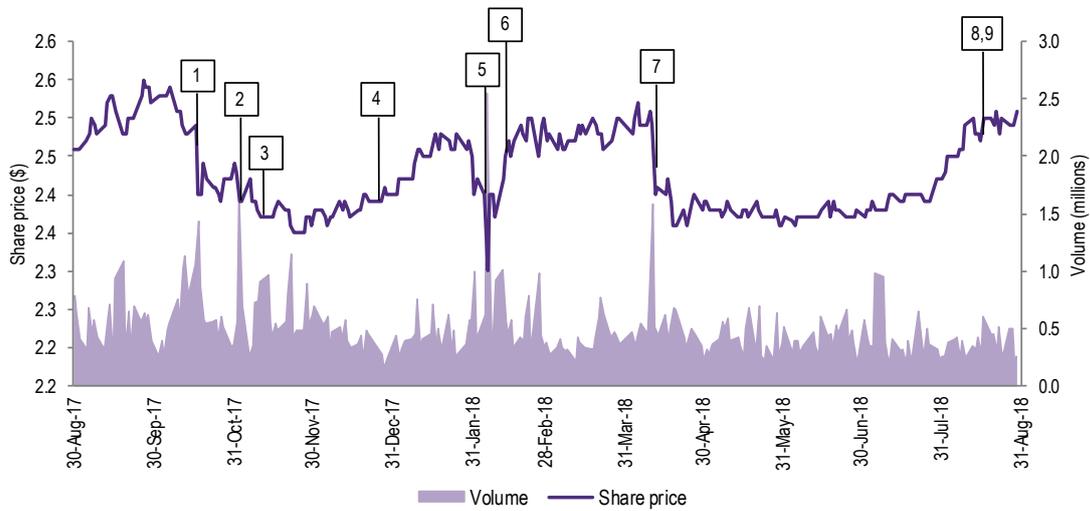
5.6 Share capital structure

As at the date of this report, WAM had on issue 668,363,066 ordinary shares on issue and no other securities.

Our analysis of the daily movements in WAM's share price and volumes for the period from 30 August 2017 to 30 August 2018 is set out below:



WAM – Historical share trading price and volume



Sources: S&P Global and GTCF analysis

The following table illustrates the key events from August 2017 to August 2018, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	Oct-17	Ex-dividend date for the fully franked final dividend of 7.5 cents per share, declared by WAM on 31 July 2017.
2	Oct-17	In October 2017, WAM's Portfolio underperformed in respect of the benchmark by 0.3% as reported by WAM's investment update as at 31 October 2017.
3	Nov-17	WAM announced an off-market takeover bid for all the issued fully paid ordinary shares in Molopo Energy Limited at a bid price of A\$0.135 for each share.
4	Dec-17	From October to December 2017 the small to mid-cap companies sector started to recover after a period of underperformance.
5	Feb-18	Data released on US wage growth sparked expectations of higher inflation, which in turn saw bonds sell off on concerns about the pace of interest rate increases. The Australian market and other equity markets around the world followed the fall.
6	Feb-18	WAM released its result for the half year ended 31 December 2017:
7	Apr-18	Ex-dividend date for the fully franked interim dividend of 7.75 cents per share, declared by WAM on 11 February 2018.
8	Aug-18	WAM released its FY18 annual report:
9	Aug-18	On 30 August 2018, WAM announced a conditional off-market takeover bid for WDE.

Source: ASX announcements

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The monthly share price performance of WAM since July 2017 is summarised below:

WAM	Share Price			Average volume '000'
	High \$	Low \$	Close \$	
Month ended				
Jul 2017	2.490	2.370	2.470	2,691
Aug 2017	2.480	2.440	2.460	2,917
Sep 2017	2.550	2.460	2.520	2,717
Oct 2017	2.540	2.370	2.440	3,171
Nov 2017	2.450	2.350	2.360	3,349
Dec 2017	2.410	2.360	2.400	1,888
Jan 2018	2.490	2.400	2.450	2,067
Feb 2018	2.500	2.200	2.500	3,418
Mar 2018	2.500	2.450	2.500	1,893
Apr 2018	2.520	2.360	2.380	2,480
May 2018	2.400	2.360	2.360	1,967
Jun 2018	2.390	2.360	2.380	1,927
Jul 2018	2.420	2.370	2.420	2,018
Week ended				
11 May 2018	2.390	2.370	2.380	2,420
18 May 2018	2.385	2.370	2.370	2,175
25 May 2018	2.390	2.370	2.370	1,799
1 Jun 2018	2.390	2.360	2.370	1,996
8 Jun 2018	2.380	2.360	2.370	1,682
15 Jun 2018	2.390	2.370	2.380	1,649
22 Jun 2018	2.390	2.370	2.380	2,172
29 Jun 2018	2.390	2.370	2.380	2,080
6 Jul 2018	2.410	2.370	2.380	2,640
13 Jul 2018	2.410	2.380	2.400	2,171
20 Jul 2018	2.400	2.390	2.400	1,393
27 Jul 2018	2.410	2.390	2.390	2,129
3 Aug 2018	2.450	2.400	2.450	1,411
10 Aug 2018	2.490	2.440	2.490	1,690
17 Aug 2018	2.500	2.470	2.500	1,953
24 Aug 2018	2.510	2.480	2.500	1,924

Sources: S&P Global, GTCF analysis



5.6.1 Top shareholders

We have set out below the top 20 shareholders of WAM as at 30 June 2018:

Top 20 shareholders of ordinary shares as at 30 June 2018			
Rank	Name	N. of shares	Interest (%)
1	HSBC Custody Nominees (Australia) Limited	5,347,555	0.8%
2	EHJ Investments Pty Limited	4,823,188	0.7%
3	Citicorp Nominees Pty Limited	3,133,679	0.5%
4	Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	2,939,066	0.4%
5	Mr VJ Plummer	2,700,000	0.4%
6	National Nominees Limited	2,578,419	0.4%
7	Mrs F Martin-Weber	2,170,000	0.3%
8	Karazin Holdings Limited	2,170,000	0.3%
9	Sew eta Pty Limited <Trss A/C>	1,960,000	0.3%
10	Neale Edwards Pty Limited	1,957,864	0.3%
11	Navigator Australia Limited <MLC Investment Sett A/C>	1,705,605	0.3%
12	BNP Paribas Nominees Pty Limited Hub24 Custodial Serv Limited DRP	1,676,045	0.3%
13	Alamo Holdings Limited	1,500,000	0.2%
14	EHJ Investments Pty Limited	1,500,000	0.2%
15	Wilmar Enterprises Pty Limited	1,487,209	0.2%
16	The Miller Foundation Limited	1,477,967	0.2%
17	Marbear Holdings Pty Limited	1,440,300	0.2%
18	Trophy Assets Pty Limited (No 2)	1,400,000	0.2%
19	Eneber Investment Company Limited	1,322,000	0.2%
20	Netwealth Investments Limited <Wrap Services A/C>	1,226,392	0.2%
Top 20 shareholders total		44,515,289	6.6%
Total ordinary shares outstanding		668,363,066	100.0%

Source: WAM annual report FY18

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6 Valuation methodologies

6.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Consideration of 1 WAM Share for every 2.5 WDE Shares to the fair market value of WDE Shares on a control and fully diluted basis.

Grant Thornton Corporate Finance has assessed the value of WDE using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, Takeover Offers of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- 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.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



6.3 Selected valuation methods

6.3.1 WDE

Grant Thornton Corporate Finance notes that all LICs release NTA information to the market on a monthly basis. The key assets, being the portfolio investments, are marked-to-market based on the last traded market price on the ASX as at month-end.

For the purpose of the monthly disclosures, the NTA data is reported on both a pre-tax basis and on a post-tax basis. The NTA on a post-tax basis has been determined in accordance with current accounting standards, where the company is required to provide for deferred tax assets and/or deferred tax liabilities that may arise should the portfolio be disposed of in its entirety at the month end. The NTA on a pre-tax basis is determined without including the deferred tax assets and/or deferred tax liabilities.

We have adopted the net realisable value method ("NRV Method") to value 100% of the issued capital in WDE for the purpose of this report. When applying this approach, the resulting value represents 100% of the value of the Company and includes a premium for control as required by RG 111. In our valuation assessment, we have included an allowance for the costs of liquidating WDE which include the Deferred Management Fee payable to Perennial to exit the IMA and selling and realisation costs which would be incurred upon sale of the portfolio securities. This is consistent with the methodology and accounting standard used by WDE in the calculation of the deferred tax assets and liabilities for the monthly NTA disclosures.

Furthermore, we note in the case of LICs, the current or recent listed market values of the underlying investments provide an accurate representation of the current fair value of those companies' investment holdings. Consequently, the assessment of net realisable assets is generally considered the most appropriate method for the valuation of companies of this type.

For the purpose of this report, we have based our valuation on the latest monthly NTA report, being the report dated 31 August 2018, and the most recent financial position of WDE made available to us, being the financial position as at 30 June 2018.

Further, WDE is a listed Australian company and is quoted on the ASX. We have utilised the market value of listed securities approach ("Share Price Method") to cross check our values under the NRV Method.

6.3.2 Value of the Consideration

When considering the value of the Consideration, we note that if the Takeover Offer is successful WDE Shareholders will own approximately 5.8% of the share capital in WAM and as such will have a minority interest in the combined entity.

Accordingly, the value of the Consideration has been assessed based on:

- The value of WAM, which has been assessed using the Quoted Security Price Method as WAM is actively traded on the ASX and the Consideration is based on an Exchange Ratio of 1 WAM Share for every 2.5 WDE Shares, with WDE Shareholders exposed to movements in WAM's Share price if the transaction proceeds.

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7 Valuation assessment of WDE

As discussed in section 6.3.1 of this report, we have used the NRV method as our primary method to assess the fair market value of WDE on a control basis and the Share Price Method as a cross check.

7.1 NRV method

Set out below is our valuation assessment of WDE based on the NRV Method on both a cum-dividend and ex-dividend basis:

Valuation summary \$	Section Reference	Cum-dividend (Ex change Ratio scenario)	Ex-dividend (Adjusted Ex change Ratio scenario)
NTA (post tax) Per WDE Shares as at 31 August 2018 ¹		0.9926	0.9926
Number of WDE Shares as at 31 August 2018	4.5	126,066,347	126,066,347
NTA (post tax) at 31 August 2018		125,133,456	125,133,456
Less: DTA as at 31 August 2018 ¹	7.1.1	(3,251,045)	(3,251,045)
NTA (post tax) per August balance sheet after deducting DTA		121,882,411	121,882,411
Less: WDE Dividend (announced on 28 August 2018)	7.1.2	-	(2,521,327)
Adjusted Net assets		121,882,411	119,361,084
Deferred Management Fee payable to Perennial from 1 August 2018	7.1.3	(1,823,269)	(1,823,269)
Add back Management fee prepayment for August 2018 (included as current liability)	7.1.3	81,393	81,393
Transaction costs yet to be incurred	7.1.4	(436,426)	(436,426)
Estimated selling costs of the Portfolio	7.1.5	(272,851)	(272,851)
Equity value on a 100% basis		119,431,259	116,909,932
Number of WDE Shares as at 13 September 2018	4.5	126,066,347	126,066,347
Assessed value per WDE Share on a control basis (\$ per share)		0.9474	0.9274

Sources: WDE annual reports, WDE Management, GTCF analysis
Note 1: WDE's August 2018 Monthly NTA Report

7.1.1 Deferred tax assets and liabilities

As at 31 August 2018, WDE had net deferred tax assets of \$3.25 million consisting of the following:

Deferred tax assets and liabilities \$	31-Aug-18
Tax loss	1,973,504
Unrealised losses in movement in market value of investments	1,050,124
Deferred tax assets on other expenses	227,418
Total Deferred tax assets	3,251,045
Deferred tax liabilities	-
Total Deferred tax liabilities	-
Net deferred tax assets / (liabilities)	3,251,045

Source: August 2018 Management accounts

For the purpose of our valuation, we have excluded deferred tax assets from the net assets of WDE as the Investment Portfolio is currently in a loss making position and therefore, assuming immediate liquidation of the investment portfolio, the deferred tax assets will be unable to be utilised against the losses in the portfolio. In the executive summary of this IER, we have conducted a sensitivity analysis on the value impact if the DTA is taken into account.



7.1.2 WDE Dividend declared on 28 August 2018

On 28 August 2018, WDE declared a 2 cents dividend for WDE Shareholders. The WDE Dividend of 2 cents per share has a record date of 28 September 2018 and a payment date of 19 October 2018.

WAM is offering to acquire all WDE Shares at the Exchange Ratio on a cum-dividend basis³³. For completeness we have also shown the ex-dividend scenario, under which we have deducted the WDE Dividend amounting to \$2,521,327 from WDE's NTA. If WDE Shareholders receive the WDE Dividend, the Exchange Ratio will be adjusted to 1 WAM Share for every 2.5512 WDE Shares.

Whilst it is likely that WDE Shareholders will receive the WDE Dividend and accordingly the Exchange Ratio will be adjusted to 2.5512, the financial benefits for WDE Shareholders of not receiving the WDE Dividend and 1 WAM Share for every 2.5 WDE Shares is essentially equivalent to receiving the WDE Dividend and 1 WAM Share for every 2.5512 WDE Shares.

7.1.3 Deferred Management Fees payable to Perennial

A key consideration in the valuation of WDE under a realisation scenario is the IMA between WDE and Perennial. The Perennial IMA, which came into effect in May 2015, has an Initial Term of five years and is due to expire in May 2020. WDE does not have the ability to terminate the Perennial IMA earlier than the maturity date. Accordingly, we have assumed that under a liquidation scenario, WDE Shareholders would have to pay out Perennial's future management fees ("Deferred Management Fees") until May 2020 (circa 21 months).

Accordingly, we have estimated the Deferred Management Fees payable to Perennial for the period 1 September 2018 to 21 May 2020 to be approximately \$1.8 million. In addition, the net assets of WDE as at 31 August 2018 includes the management fee payable to Perennial for September, which we have estimated at c. \$81k and added back to our valuation assessment.

7.1.4 Transaction costs yet to be incurred

As part of the transaction, WDE Management have advised that they will incur transaction costs of approximately \$450k which relate to legal and other advisory fees and regulatory and listing fees.

7.1.5 Estimated selling costs of the Portfolio

Under a realisation scenario of WDE's assets, the Company will incur market impact costs and brokerage fees related to the sale of the Investment Portfolio. Management have advised that the brokerage fees are approximately 24bp to liquidate the portfolio. Accordingly, we estimate WDE will incur selling costs of approximately \$275k.

7.2 Valuation cross check – Share Price Method

Prior to reaching our valuation conclusion, we have considered the quoted security price of WDE Shares to cross check our valuation assessment under the NRV Method.

³³ Shares quoted cum dividend entitle the buyer to the current dividend.

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In accordance with the requirements of RG 111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the underlying value of WDE.

Liquidity

In order to assess the liquidity of WDE Shares, we have considered the trading volume of shares during the period from August 2017 to July 2018. Presented below is the trading volume of WDE Shares as a percentage of total shares outstanding:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of free float shares	Cumulative volume traded as % of free float shares	Volume traded as % of total shares	Cumulative volume traded as % of total shares
Aug 2017	2,734	0.8182	2,237	2.5%	2.5%	2.2%	2.2%
Sep 2017	8,144	0.8401	6,842	7.6%	10.1%	6.4%	8.6%
Oct 2017	4,956	0.8634	4,279	4.6%	14.7%	3.9%	12.5%
Nov 2017	2,804	0.8631	2,420	2.6%	17.3%	2.2%	14.8%
Dec 2017	1,800	0.8810	1,586	1.7%	19.0%	1.4%	16.2%
Jan 2018	2,393	0.9029	2,161	2.2%	21.2%	1.9%	18.1%
Feb 2018	2,100	0.8970	1,884	1.9%	23.1%	1.7%	19.7%
Mar 2018	1,702	0.8788	1,496	1.6%	24.7%	1.3%	21.1%
Apr 2018	2,500	0.8410	2,103	2.3%	27.0%	2.0%	23.0%
May 2018	3,233	0.8374	2,707	3.0%	30.0%	2.6%	25.6%
Jun 2018	2,435	0.8387	2,043	2.3%	32.3%	1.9%	27.5%
Jul 2018	1,684	0.8589	1,446	1.6%	33.8%	1.3%	28.9%
Min				1.6%		1.3%	
Average				2.8%		2.4%	
Median				2.3%		1.9%	
Max				7.6%		6.4%	

Sources: S&P Global, Financial Times data and GTCF analysis

Based on the above table, we note the following:

- The level of free float for WDE is high at circa 85.25%. From August 2017 to July 2018, circa 33.8% of the free float shares were traded with an average monthly volume of 2.8% of the total free float shares.
- In the absence of a takeover or alternative transactions, the trading prices represent the value at which minority shareholders could realise their portfolio investment.
- WDE complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of WDE.
- WDE provides updates to the market on a regular monthly basis with information regarding the investment strategy and the performance of the WDE portfolio in its various investment sectors. As a result, there is extensive analysis provided to the market not only about the WDE's performance and market standing, but also regarding industry trends.



Based on the above analysis, we note that the liquidity in WDE Shares is low but not inconsistent with other small LICs.

Assessment of VWAP

Set out below is a summary of the share market prices at which WDE Shares traded on the ASX before the announcement of the WAM Offer.

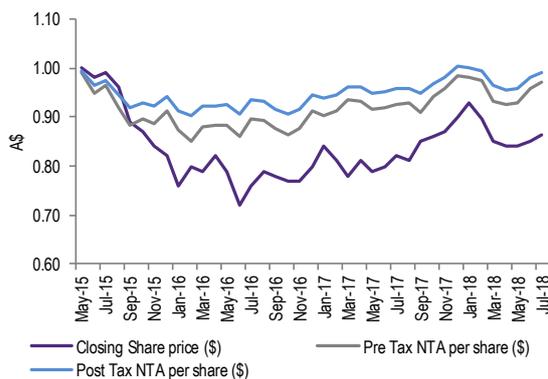
VWAP - WDE	Low	High	VWAP
Prior to 30 Aug 2018			
5 day	0.860	0.875	0.863
10 day	0.860	0.875	0.867
1 month	0.855	0.875	0.866
2 month	0.845	0.875	0.862
3 month	0.830	0.875	0.852
4 month	0.825	0.875	0.846
5 month	0.825	0.875	0.845
6 month	0.825	0.895	0.849
9 month	0.825	0.935	0.864

Source: S&P Global and GTCF calculations

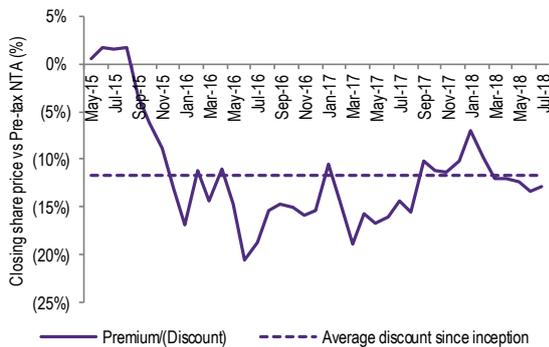
We observe that the Volume Weighted Average Price (“VWAP”) of WDE’s Shares has been fairly consistent over the last 9 month period, at between \$0.87 to \$0.84 and has remained below the NTA per share prior to the announcement of the Takeover Offer.

The following chart shows the movements of WDE’s share price and that of WDE’s NTA since inception of the LIC.

WDE Share price¹ vs. NTA per share



WDE Premium / (discount) to Post-tax NTA



Source: S&P Global, Monthly WDE NTA Reports
Note: (1) Closing Share Price as at the last day of each month.

As shown above, the company has traded at a discount to its post-tax NTA per share since September 2015, and has traded at an average discount of c.12% to its reported post tax NTA since inception. Further, the share price was trading at a 12.9% discount to NTA (post-tax) per share at the end of August 2018.

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Our valuation assessment of WDE of \$0.9474 per share on a cum-dividend basis is at a premium of between 8.9% and 12.8% compared to our assessed WDE share price range of between \$0.84 and \$0.87 prior to the announcement of the Takeover Offer.

We consider the level of premium for control to be reasonable due to the following:

- Our valuation assessment is based on the realisable value of the balance sheet and the market value of the underlying investments.
- LIC's strategy and investments portfolio is publicly available and easy to replicate and accordingly there is no or limited goodwill.
- The WDE's MER is in line with LICs of similar size.

8 Valuation assessment of the Consideration

As discussed in Section 6.3.2 of this report, we have used the Quoted Security Price Method as our primary method to assess the fair market value of the Consideration as WDE Shareholders will receive 1 WAM Share for every 2.5 WDE Shares. As WDE Shareholders will own c.5.8% of the combined entity, we have assessed the value of the Consideration on a minority basis having regard to WAM's trading price.

8.1 Quoted Security Pricing Method

The adopted value of the Consideration based on WAM's trading prices is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the trading price are likely to represent the underlying value of WAM.

8.1.1 Liquidity analysis

In accordance with the requirements of RG111, we have analysed the liquidity of WAM shares by considering the trading volume from August 2017 and August 2018 as a percentage of the total shares outstanding as well as free float shares outstanding, as outlined in the table below:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of free float shares	Cumulative volume traded as % of free float shares	Volume traded as % of total shares	Cumulative volume traded as % of total shares
Aug 2017	13,419	2.4614	33,029	2.2%	2%	2.1%	2.1%
Sep 2017	11,413	2.5073	28,617	1.9%	4%	1.8%	3.9%
Oct 2017	13,954	2.4642	34,385	2.3%	6%	2.2%	6.1%
Nov 2017	14,737	2.3842	35,137	2.4%	9%	2.3%	8.4%
Dec 2017	7,931	2.3852	18,917	1.3%	10%	1.2%	9.6%
Jan 2018	9,097	2.4519	22,305	1.5%	12%	1.4%	11.0%
Feb 2018	13,670	2.4179	33,054	2.2%	14%	2.1%	13.1%
Mar 2018	8,330	2.4792	20,650	1.3%	15%	1.3%	14.4%
Apr 2018	10,418	2.4415	25,435	1.7%	17%	1.6%	16.0%
May 2018	9,048	2.3796	21,530	1.4%	18%	1.4%	17.3%
Jun 2018	8,094	2.3775	19,243	1.3%	19%	1.2%	18.5%
Jul 2018	8,879	2.3925	21,243	1.4%	21%	1.3%	19.9%
Aug 2018	8,291	2.4832	20,587	1.3%	22%	1.2%	21.1%
Min				1.3%		1.2%	
Average				1.7%		1.6%	
Median				1.5%		1.4%	
Maximum				2.4%		2.3%	

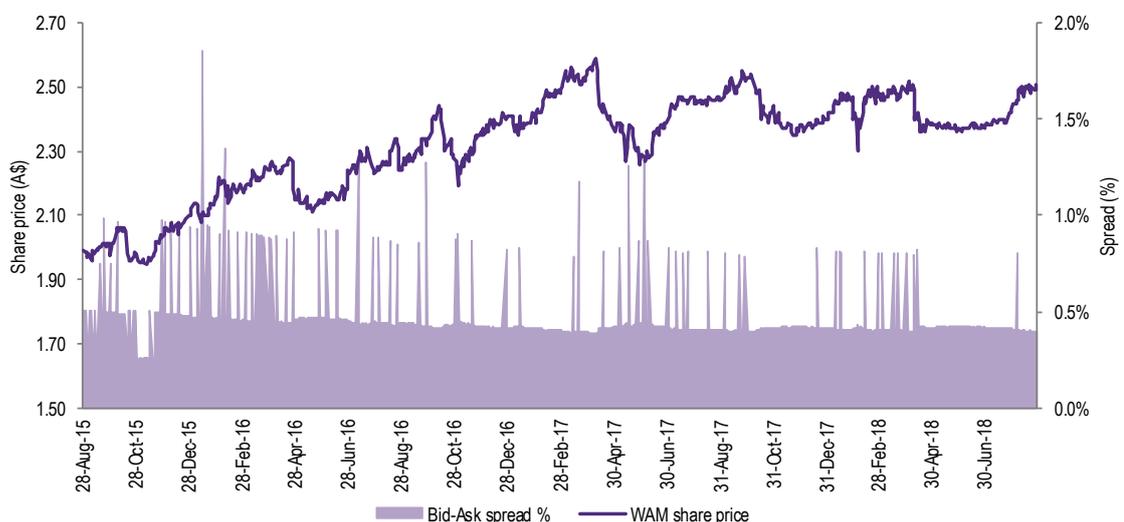
Sources: S&P Global, Financial Times data and GTCF analysis

With regard to the above analysis, we note that:

- The level of free float for WAM is high at circa 95.56%. From August 2017 to August 2018, circa 22% of the free float shares were traded with an average monthly volume of 1.7% of the total free float shares.
- In the absence of a takeover or alternative transactions, the trading prices represent the value at which WDE Shareholders will be able to realise the Consideration if they desire to do so.

- WAM complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of WAM.
- WAM provides updates to the market on a regular monthly basis with information regarding the investment strategy and the performance of the WAM Portfolio in its various investment sectors. As a result, there is extensive analysis provided to the market not only about the WAM's performance and market standing, but also regarding industry trends.
- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. The graph below shows the bid ask spread for WAM over the past 3 years.

WAM – Bid/Ask Spread



As shown in the graph above, the historical difference between the bid and ask price has been consistently low, with an average of 0.4%, over the last 3 years preceding the date of the announcement of the Takeover Offer.

Based on the analysis above, we conclude that there is sufficient liquidity in WDE's trading price for utilisation of the Quoted Security Price Method as required pursuant to RG111.

8.1.2 Valuation assessment of WAM based on trading price

Set out below is a summary of the VWAP of WAM's shares from the last reported NTA date of 31 August 2018 and from the 14 September 2018 announcement date of WAM's August 2018 monthly Investment Update.



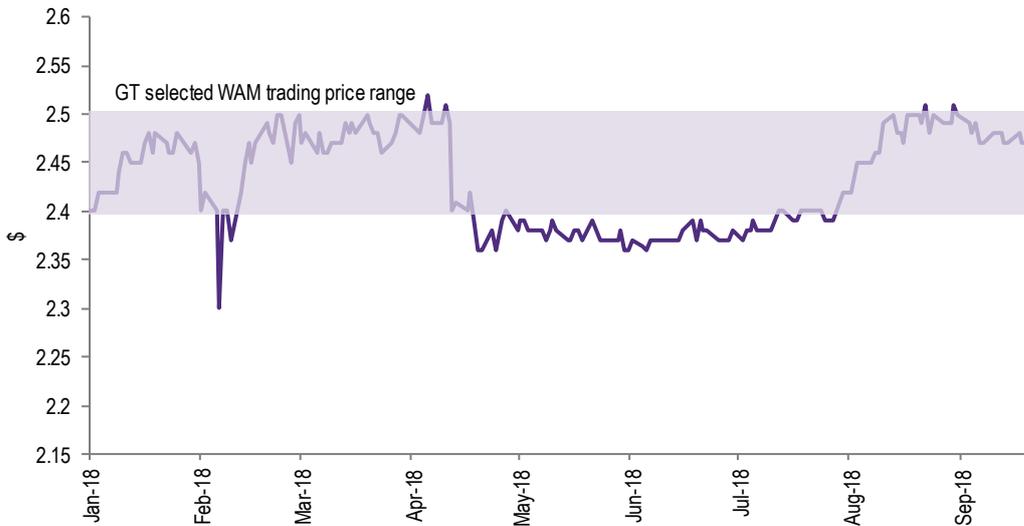
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VWAP - WAM		Low	High	VWAP
Prior to	15 Sep 2018			
5 day		2.460	2.490	2.478
10 day		2.460	2.510	2.483
1 month		2.460	2.520	2.491
2 month		2.390	2.520	2.462
3 month		2.370	2.520	2.432
4 month		2.360	2.520	2.418
5 month		2.360	2.520	2.411
6 month		2.360	2.520	2.426
9 month		2.200	2.520	2.428
Prior to	01 Sep 2018			
5 day		2.480	2.520	2.501
10 day		2.480	2.520	2.499
1 month		2.420	2.520	2.483
2 month		2.370	2.520	2.436
3 month		2.360	2.520	2.417
4 month		2.360	2.520	2.407
5 month		2.360	2.520	2.415
6 month		2.360	2.520	2.425
9 month		2.200	2.520	2.423

Sources: S&P Global and GTCF analysis

Based on the analysis above, we have assessed the fair market value of the Consideration based on WAM's trading price of between \$2.40 and \$2.50 per share on a minority basis. We note that the sharp reduction in WAM trading prices at the end of April 2018 is due to WAM trading ex-dividend.

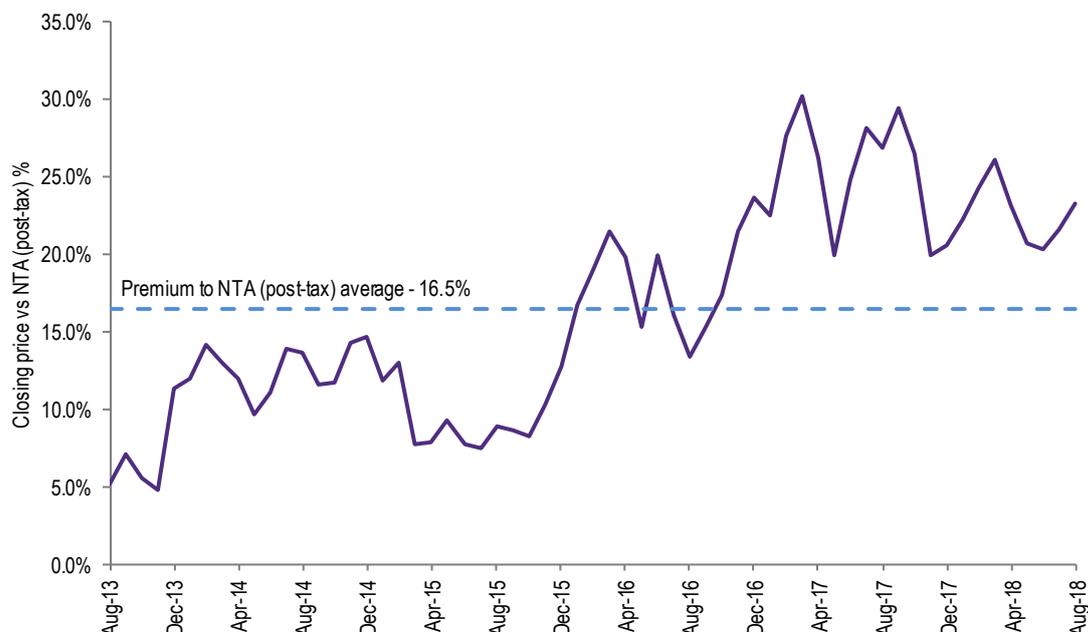
WAM trading price and GT selected price range



Source: S&P Global and GTCF analysis

As discussed before, WAM share prices have been trading at a substantial premium to reported NTA for a long period of time. The graph below shows the premium to NTA post-tax at which WAM traded over the past 5 years up to 31 August 2018.

Historical WAM premium over NTA (post-tax)



Source: WAM monthly investor updates

We note that the premium over the last five years averaged 16.5% with a maximum of 30.2% on 31 March 2017 and a minimum of 4.8% on 30 November 2013.

In our valuation assessment of the Consideration, we have considered it appropriate to rely on WAM's trading price rather than the post-tax NTA of WAM as at 31 August 2018 due to the following:

- As outlined in the graph above, WAM has been trading at a premium to post-tax NTA for a significant period of time and accordingly relying on the post-tax NTA to assess the market value of the Consideration received by WDE Shareholders would have, in our opinion, undervalued it.
- As discussed in section 8.1.1, there is liquidity in WAM trading prices to allow WDE Shareholders to realise the WAM Shares received as consideration at market value. Accordingly, the trading price of WAM Shares represents a reasonable proxy of the value that accepting WDE Shareholders could expect to realise from their investment if they decide to sell the WAM Shares received as consideration. However, we note that the WDE Shareholders will collectively receive circa 41.3 million WAM Shares based on the Exchange Ratio (excluding WDE Shares held by WAM) which is significantly higher than the daily average trading volume of WAM of c. 0.4 million over the last six months. Accordingly, if all WDE Shareholders seek to sell WAM Shares immediately after they receive them, it may create an overhang effect and depress WAM trading prices. Under those circumstances, the price that WDE Shareholders will be able to realise from the sale of WAM Shares may be significantly lower than our valuation assessment. Please refer to our sensitivity analysis on the value of Consideration in conjunction with different level of WAM Shares included in the executive summary.



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- We note that if the WAM Offer becomes unconditional and WAM acquires 100% of the issued capital of WDE, WDE Shareholders will collectively hold approximately 5.8%³⁴ of the enlarged share capital of WAM on an undiluted basis. Accordingly, they will not be able to influence and change the strategic direction of WAM which is consistent with the portfolio value reflected in WAM's trading price.

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³⁴ Based on 41,301,440 WAM Shares to be issued to WDE Shareholders not associated with WAM.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Target's Statement.
- Bidder's Statement
- Annual reports/ consolidated accounts of WDE and WAM for FY15 to FY18.
- Minutes of Board meetings.
- Investment Management Agreement.
- Press releases and announcements by WDE and WAM on the ASX.
- Monthly net asset valuation for WDE and WAM as at 31 August 2018.
- S&P Global.
- IBISWorld.
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of WDE and its advisers.

9.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to assist the Directors of WDE in advising the WDE Shareholders in relation to the Takeover Offer. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Takeover Offer is in the best interest of WDE Shareholders.

WDE has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising



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out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target's Statement to be sent to WDE Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix B – Glossary

\$	Australian Dollar
Adjusted Exchange Ratio	If WDE Shareholders receive the WDE Dividend, the Exchange Ratio will be adjusted to 1 WAM Share for every 2.5512 WDE Shares
APES	Accounting Professional and Ethical Standards
APES110	Code of ethics for Professional Accounting
AREIT	Australian Real Estate Investment Trusts
ASIC	Australian Securities Investment Commission
ASX	Australian Stock Exchange
Consideration	Scrip consideration
Corporations Act	Corporations Act 2001
DCF Method	Discounted Cash Flow
Deferred Management Fees	Perennial future management fees to be paid by WDE Shareholders
Directors	The Directors of WDE
Exchange Ratio	1 WAM Share for every 2.50 WDE Shares
FOFA	Future of Financial Advice
FSG	Financial Service Guide
FY	Financial year ended 30 June
GFC	Global Financial Crisis
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert Report
Initial Term	Perennial IMA initial term of 5 years commencing May 2015 and ending May 2020
LIC	Listed investment company
LIT	Listed investment trust
MER	Management expense ratio
NAV Method	Net asset value method
NRV Method	Net realisable method
Perennial IMA	Investment Management Agreement between WDE and Perennial dated 9 March 2015
Perennial or the Manager	Perennial Value Management Limited
Performance Fee	Perennial is entitled to a performance fee of 15% of WDE's net return in excess of the benchmark return except in the case when Perennial achieves negative absolute returns
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of Experts"
RG74	ASIC Regulatory Guide 74 "Acquisitions agreed to by shareholders"
Value Investing	Perennial, regarding WDE investment strategy, is mandated to predominantly invest in a portfolio of long positions of large and small cap Australian shares using a value style investment process and to utilise a range of asset allocation and derivative strategies with the aim of cushioning the impact of significant market falls
VWAP	Volume weighted average price
WAM	WAM Capital Limited
WAM Offer or Takeover Offer	Off-market takeover bid from WAM Capital Limited ("WAM") to acquire 100% of the shares in WDE based on a scrip consideration of 1 WAM Share for every 2.50 WDE Shares
WAM Portfolio	WAM's investments portfolio
WAM Share	1 outstanding ordinary share in WAM
WDE Benchmark	S&P/ASX 300 Accumulation Index
WDE Dividend	The WDE dividend of 2 cents per share with a record date of 28 September 2018 and a payment date of 19 October 2018
WDE Management	Senior management and directors of WDE

WDE or the Company

WDE Share

WDE Shareholder

Wilson Asset Management IMA

Wilson Asset Management

Wealth Defender Equities Limited

1 outstanding ordinary share in WDE

An individual/ entity beneficially holding WDE Share(s)

Management agreement between WAM Manager and WAM

Wilson Asset Management (International) Pty Limited

SHAREHOLDER INFORMATION

WEALTH DEFENDER EQUITIES LIMITED ACN 602 517 528

REGISTERED OFFICE

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Email: invest@wealthdefenderequities.com.au
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SHARE REGISTRY

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INDEPENDENT EXPERT

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