

## WAM Capital bids for Concentrated Leaders Fund

3 September 2020  
ASX announcement

WAM Capital Limited (ASX: WAM) has just **announced** a conditional off-market takeover bid for Concentrated Leaders Fund Limited (ASX: CLF). The Offer Consideration is 2 WAM Shares for every 3.7 CLF Shares\*. This represents a premium of 15.2% to CLF's 2 September 2020 share price, 11.1% to CLF's one-month volume-weighted average price (VWAP) and a 7.6% premium to CLF's reported pre-tax net tangible assets (NTA) as at 31 July 2020, adjusted for dividends declared by CLF in August 2020.

### A persistent and deepening share price discount to NTA

CLF shares have traded at a persistent discount to their underlying pre-tax NTA throughout CLF's history, with an average share price discount to the pre-tax net tangible assets of 8.1% over the past 12 months. Following the CLF Board's decision to appoint Dr David Sokulsky as Chief Executive Officer and Chief Investment Officer in January 2018, to take over responsibility for managing CLF and its investment activities, CLF has traded at an average share price discount to pre-tax NTA of 6.7%. The externalisation of the CLF's investment management agreement (IMA) to Carrara Investment Management (Australia) Pty Ltd ACN 641 618 331 (CLF Manager), a new investment management company controlled by Dr David Sokulsky, occurred on 1 July 2020. Since this date, the average share price discount to pre-tax NTA was approximately 12.7%.

### Poor corporate governance and capital management

The appointment of the new CLF Manager occurred without shareholder approval. This represents an unauthorised extension of Dr David Sokulsky's appointment and externalisation of the IMA. We believe the Board of Directors has treated CLF Shareholders unfairly in bypassing their vote on this significant matter, and its actions represent poor corporate governance for a listed company.

The Board of Directors also appears to be conducting illogical capital management initiatives. Notably, on announcing the new IMA the CLF Board highlighted the potential cost savings to shareholders in growing the funds under management of CLF through the reduced management fee available to shareholders as CLF grows.

Contrary to this objective, the CLF Board recently decided to materially reduce the size of the Company by approximately 12.8% through a special dividend payment.

Reducing CLF's capital so soon after appointing the new CLF Manager represents a clear lack of faith by the CLF Board in the new CLF Manager, who was appointed to manage and grow CLF's assets only seven weeks earlier. The declaration of the special dividend was also contrary to consistent capital management policies of CLF and prudential business practices. The return of capital through the special fully franked dividend to CLF Shareholders represented a significant portion CLF's cash position as at 31 July 2020, with over 75% of CLF's cash and liquidity being removed during a period of heightened volatility in the Australian equity markets.

This capital management decision has the potential to increase the risk and volatility of the underlying investment portfolio of CLF through the reduction in the cash and liquidity of the portfolio.

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## An exit opportunity with WAM Capital

We consider that these actions by the CLF Board represent a pattern of poor decision-making on behalf of CLF shareholders. Despite the persistent share price discount to pre-tax NTA of CLF, the CLF Board of Directors has employed inconsistent and ineffective capital management initiatives and have not provided shareholders with the opportunity to exit their positions at or above the announced pre-tax NTA.

In making this Offer, WAM is providing all CLF Shareholders with the opportunity to exit their positions in CLF at a 11.1% premium to CLF's one-month VWAP of \$1.027 and a 7.6% premium to CLF's reported pre-tax NTA of \$1.06 as at 31 July 2020, adjusted for the 17.0 cents per share of dividends declared in August 2020.

If this Offer is successful, WAM will provide CLF Shareholders with a choice:

- (a) remain a WAM Shareholder; or
- (b) utilise WAM's on-market liquidity to exit their position.

Participants in the Offer who hold WAM Shares on 20 November 2020 will also receive the final fully franked 7.75 cents per share WAM Dividend for 2020 announced on 8 July 2020 and payable on 27 November 2020.

## Benefits of the Offer to WAM Shareholders

If the bid is successful, WAM Shareholders will benefit from realising all or part of WAM's holding of 11.9%\* of CLF shares that were purchased at a discount to their pre-tax NTA. In addition, the all scrip offer allows WAM Shareholders to benefit from the issuance of shares at a premium to WAM's pre-tax NTA.

## Further information

Further information about the Offer is contained in the [Bidder's Statement](#) announced today. If you have any questions regarding this proposed transaction, please call Chairman Geoff Wilson AO on (02) 9247 6755 or Chief Financial Officer Jesse Hamilton on 0401 944 807.

Capitalised terms in this announcement have the same meaning as the defined terms contained within the Bidder's Statement.

\*As at the date of the Bidder's Statement, WAM had a Relevant Interest in 11.9% CLF Shares and its Associates held 1.4%, therefore WAM and its Associates had Voting Power of 13.3% in CLF.

## About WAM Capital

WAM Capital Limited (ASX: WAM) is a listed investment company (LIC) managed by Wilson Asset Management. Listed in August 1999, WAM Capital provides investors with exposure to an actively managed, diversified portfolio of undervalued growth companies listed on the ASX, with a focus on small-to-medium sized businesses. The Company's investment objectives are to deliver a stream of fully franked dividends, provide capital growth and preserve capital.

## About Wilson Asset Management

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



This announcement has been authorised by the Board of WAM Capital Limited.

For further information, visit [wilsonassetmanagement.com.au](http://wilsonassetmanagement.com.au) or contact:

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