

# Notice of Meeting, Explanatory Statement and Independent Expert Report

Contango Asset Management Limited  
ACN 080 277 998

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Date: Wednesday, 12 September 2018  
Time: 2:00pm  
Location: Taylor Collison  
Level 10  
167 Macquarie Street  
Sydney NSW 2000

## Key dates

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Latest time and date for lodgment of completed Proxy Form	Monday, 10 September 2018 at 2:00pm
Time and date for determining eligibility to vote at Meeting	Monday, 10 September 2018 at 7:00pm
Time and date of Meeting	Wednesday, 12 September 2018 at 2:00pm

## Letter from Independent Non-Executive Chairman

14 August 2018

Dear Shareholder

I am pleased to invite you to an Extraordinary General Meeting of Contango Asset Management Limited (**CGA** or the **Company**) and provide to you the associated Notice of Meeting and Explanatory Statement. The Extraordinary General Meeting is to be held at 2:00pm (AEST) on Wednesday, 12 September 2018 at the offices of Taylor Collison at Level 10, 167 Macquarie Street, Sydney NSW 2000.

The purpose Extraordinary General Meeting is to:

- inform the Shareholders of the Company's intention for its wholly owned subsidiary, 2735 CSM Holdings Pty Ltd (**Contango Group Company**), to acquire the 53.75% shares in Switzer Asset Management Limited that it does not own (**SAML Acquisition**); and
- obtain Shareholder approval for the SAML Acquisition for the purposes of the ASX Listing Rules and the Corporations Act.

### Background

Since last year's AGM, the Company has been executing on its strategic decision to transition to a specialist marketing and distribution platform offering high quality fund managers, led by Chief Executive Officer, Martin Switzer. The Company's cost base has been substantially reset and it is progressing with its objective of launching of exchange traded managed funds via its investment in Switzer Asset Management Limited (**SAML**). As set out in CGA's March Investor Update, the strategic objective of the Company is to focus in areas that it sees as the most opportunity for growth. The Contango Group Company's 46.25% investment in the retail business of SAML was seen as a key part of the Company's business model going forward, which led to the decision to acquire the remaining 53.75% holding in SAML.

### SAML Acquisition

As mentioned earlier, the SAML Acquisition comprises the purchase of 53.75% of the shares of SAML pursuant to the terms of a Share Sale Agreement. Under the terms of the Share Sale Agreement, the Company is to issue in aggregate 7,166,667 ordinary shares in the Company as consideration for the acquisition of the 53.75% shares in SAML. Upon completion of the SAML Acquisition, SAML will become a wholly owned subsidiary of the Contango Group Company.

Details of the SAML Acquisition are set out more fully in the attached Notice of Meeting and Explanatory Statement.

### Related Party matters

Martin Switzer, the CEO and a director of the Company, and his direct family members have an interest in one of the entities selling shares in SAML to the Contango Group Company, being Switzer Financial Group Pty Limited (**Switzer Financial Group**). Accordingly, Switzer Financial Group is a related party of the Company for the purposes of the ASX Listing Rules and the Corporations Act and will receive a financial benefit from CGA (in the form of the CGA shares issued as consideration) if the SAML Acquisition proceeds.

The SAML Acquisition must therefore be approved by CGA's shareholders in accordance with ASX Listing Rule 10.1 and is also being referred to CGA's shareholders for approval in accordance with Chapter 2E of the Corporations Act. Please refer to the Explanatory Statement for further details.

### Independent Expert

The Company has appointed Lonergan Edwards & Associates Limited for the purpose of preparing an independent expert report in accordance with the ASX Listing Rules.

**The Independent Expert has formed the opinion that the SAML Acquisition is fair and reasonable to the Shareholders of CGA entitled to vote on the Resolution.** A copy of the Independent Expert Report is attached to this Notice of Meeting and Explanatory Statement as Annexure A.

### **Recommendation**

The Directors (other than Martin Switzer) unanimously recommend that Shareholders vote in favour of the Resolution. The reasons for this conclusion are discussed in further detail in the Explanatory Statement.

You are urged to consider carefully the Notice of Meeting, Explanatory Statement and Independent Expert Report before determining how you wish to vote on the Resolution.

If you cannot attend the Meeting, please complete the enclosed proxy form and return it to the Company's share registry as soon as possible and in any event by no later than 2:00pm on Monday, 10 September 2018.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Roger Amos', with a stylized flourish at the end.

Roger Amos

**Independent Non-Executive Chairman**

Contango Asset Management Limited  
ACN 080 277 998

## NOTICE OF MEETING

Notice is given that a general meeting of the members of Contango Asset Management Limited (**Company**) will be held on Wednesday, 12 September 2018 at 2:00pm at Taylor Collison, Level 10, 167 Macquarie Street, Sydney NSW 2000 (**Meeting**).

Information on the business to be considered at the Meeting is contained in the Explanatory Statement, which should be read together with, and forms part of, this Notice of Meeting. The Independent Expert Report and Proxy Form also form part of this Notice of Meeting.

Please read this Notice of Meeting carefully and attend the Meeting. If you are unable to attend the Meeting but eligible to vote at it, please consider appointing a proxy to attend on your behalf. You may direct your proxy on how to vote on the Resolution by marking the appropriate box on the enclosed Proxy Form. Shareholders who intend to appoint the Chairman as proxy (including appointment by default) should have regard to the Voting and Proxy Instructions included in this Notice.

### BUSINESS OF THE MEETING

#### Resolution – Acquisition of remaining shares in Switzer Asset Management Limited in exchange for the issue of shares in Company

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*That:*

(a) *the acquisition by the Company (through its wholly-owned subsidiary, 2735 CSM Holdings Pty Ltd) of all of the issued shares in Switzer Asset Management Limited owned by Switzer Financial Group Pty Ltd (a related party of the Company) and Tao Te Pty Ltd, together representing approximately 53.75% of the total number of issued shares in Switzer Asset Management Limited;*

(b) *the issue of:*

(1) *6,166,668 fully paid ordinary shares in the Company to Switzer Financial Group Pty Ltd (an entity associated with Martin Switzer, a director of the Company); and*

(2) *999,999 fully paid ordinary shares in the Company to Tao Te Pty Ltd;*

*as the consideration for the sale of all of their shares in Switzer Asset Management Limited;*

*and otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting, be approved for the purposes of the ASX Listing Rules, including rules 10.1 and 10.11, chapter 2E of the Corporations Act and for all other purposes.*

### Independent Expert Report

The Company engaged an Independent Expert, Lonergan Edwards & Associates Limited, to provide a report to Shareholders of the Company on the SAML Acquisition stating whether the SAML Acquisition is fair and reasonable to Shareholders entitled to vote on the Resolution.

**The opinion of the Independent Expert is that the SAML Acquisition is fair and reasonable to Shareholders entitled to vote on the Resolution.**

A copy of the Independent Expert Report is set out in annexure A to the Explanatory Statement. Shareholders should carefully consider that report before deciding how to vote on the Resolution.

### By order of the Board

Hari Morfis  
Company Secretary

Dated: 14 August 2018

## IMPORTANT NOTICES

### 1. Voting exclusion

The Company will disregard any votes cast on the Resolution by or on behalf of:

- (a) Mr Martin Switzer;
- (b) Switzer Financial Group Pty Ltd, Tao Te Pty Ltd or any other party to the SAML Acquisition;
- (c) a person who is to receive Contango Shares;
- (d) a related party of the Company to whom the Resolution would permit a financial benefit to be given;

or any associate of any of those persons.

However, the Company need not disregard a vote on the Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chairman intends to vote undirected proxies held by the Chairman in favour of the Resolution. Please refer to the Proxy Form accompanying this Notice of Meeting for more information.

The applicable definition of 'associate' is set out in the ASX Listing Rules and the Corporations Act. A person in one of the above categories is an excluded person for the purposes of the voting exclusion for the Resolution. Shareholders who are excluded persons and who intend to attend and cast a vote at the Meeting in person, must inform a representative of the Company's share registrar, Link Market Services, of this fact when they register at the Meeting.

### 2. Voting and proxy instructions

#### 2.1 Quorum

The Constitution provides that a quorum for the Meeting is three Shareholders.

#### 2.2 Voting entitlement

For the purposes of the Meeting and in accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the Shareholders entitled to vote at the Meeting will be those persons who are recorded on the Company's register of Shareholders at 7:00 pm on Monday, 10 September 2018. Share transfers registered after that time will be disregarded in determining the Shareholders entitled to vote at the Meeting.

On a poll, Shareholders will have one vote for every Contango Share held. Holders of options, if any, are not entitled to vote in respect of those options. In the case of joint holders of Contango Shares, if more than one holder votes at the Meeting, only the vote of the first named of the joint holders in the Company's register of Shareholders will be counted.

#### 2.3 Majority required for the Resolution

The Resolution will be passed if more than 50% of the votes validly cast on the Resolution (either in person or by proxy, attorney or corporate representative) are in favour of the Resolution.

#### 2.4 Proxies

- (a) Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint:
  - (1) one proxy (if the Shareholder is entitled to one vote); or
  - (2) one or two proxies (if the Shareholder is entitled to more than one vote).
- (b) The person or persons appointed may, but need not necessarily be, a Shareholder.
- (c) Where two proxies are appointed, each proxy should be appointed to represent a specified portion or number of the Shareholder's voting rights (failing which each appointee will be entitled to cast half the Shareholder's votes, in which case any fraction of votes will be disregarded).
- (d) Where a Shareholder appoints two proxies, on a show of hands, neither proxy may vote if more than one proxy attends and, on a poll, each proxy may only exercise votes in respect of those Contango Shares or voting rights the proxy represents.
- (e) The Proxy Form must be signed by the Shareholder (or, in the case of a joint holding, by each joint holder) or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.
- (f) If a Proxy Form is signed under a power of attorney on behalf of a Shareholder, then either the original power of attorney, or a certified copy of it, must be lodged with the Proxy Form (before the deadline for appointment of proxies), unless the power of attorney has already been sighted by the Company or its share registrar.
- (g) A proxy may decide whether or not to vote on any item of business or other motion at the Meeting, except where the proxy is required by law or the Constitution to vote or abstain from voting in their capacity as proxy. If the proxy's appointment directs the proxy how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If the proxy's appointment does not direct the proxy how to vote on an item of business or any other motion at the Meeting,

the proxy may vote as he or she thinks fit on that item or motion.

- (h) If the same person (such as the Chairman) is appointed as proxy for two or more Shareholders and those Shareholders have specified different ways for the proxy to vote on an item of business, then the proxy is not entitled to vote (as proxy) on a show of hands on that item.
- (i) The appointment of one or more proxies will not preclude a Shareholder from attending the Meeting and voting personally. If the Shareholder votes on the Resolution, the proxy or proxies must not vote as the Shareholder's proxy on the Resolution.
- (j) Proxies may be appointed using the enclosed Proxy Form. Detailed instructions for appointing a proxy are provided on the back of the Proxy Form.
- (k) Proxy appointments (and any necessary supporting document) must be received by the Company **no later than 48 hours before the commencement of the Meeting (i.e. by 2:00pm on Monday, 10 September 2018)**. Proxies received after this deadline will not be effective for the Meeting.
- (l) Proxy appointments may be lodged in any of the following ways:

Lodgment with the Company's share registrar	
<b>By mail</b>	Contango Asset Management Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
<b>By hand delivery</b> (during business hours – Monday to Friday, 9:00am – 5:00pm)	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138
<b>By facsimile</b>	+61 2 9287 0309
<b>By online voting</b>	<a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a>

## 2.5 Appointment of corporate representatives

A body corporate that is a Shareholder and is entitled to attend and vote at the Meeting, or that has been appointed as proxy of a Shareholder entitled to attend and vote at the Meeting, may appoint an individual to act as its representative at the Meeting. The appointment must comply with section 250D of the Corporations Act. The representative must bring to the Meeting adequate evidence of his/ her appointment, including any authority under which the appointment is signed, unless that evidence has previously been provided to the Company's share registrar.

## 2.6 Appointing the Chairman as your proxy

The Proxy Form accompanying this Notice of Meeting contains detailed instructions regarding how to complete the Proxy Form if a Shareholder wishes to appoint the Chairman as the Shareholder's proxy. You should read those instructions carefully.

The Chairman intends to exercise all available proxies by voting in favour of the Resolution on the Notice of Meeting.

If you do not wish to give the Chairman such a directed proxy, you should ensure that a box other than the 'For' box is clearly marked in relation to the Resolution on the Proxy Form.

## 2.7 Undirected proxies

If you return your Proxy Form but do not nominate a proxy, the Chairman will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated representative does not attend the Meeting then your proxy will revert to the Chairman and the Chairman will vote on your behalf as you direct on the Proxy Form.

If a proxy is not directed how to vote on the Resolution, the proxy (including, if applicable, the Chairman) may vote, or abstain from voting, as he/she thinks fit.

If you appoint the Chairman as your proxy (including appointment by default) and do not direct the Chairman how to vote on the Resolution, the Chairman will vote your proxy in favour of the Resolution even if the Chairman has an interest in the outcome of the Resolution and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

# Contango Asset Management Limited

## ACN 080 277 998

# EXPLANATORY STATEMENT

## INDEPENDENT EXPERT REPORT

The Company engaged the Independent Expert to provide a report to Shareholders on the SAML Acquisition stating whether the SAML Acquisition is fair and reasonable to Shareholders entitled to vote on the Resolution.

**The opinion of the Independent Expert is that the SAML Acquisition is fair and reasonable to Shareholders entitled to vote on the Resolution.**

A copy of the Independent Expert Report is set out in annexure A to this Explanatory Statement. Shareholders should carefully consider that report before deciding how to vote on the Resolution.

## 1. INTRODUCTION

This Explanatory Statement has been prepared to assist Shareholders in understanding the business of the Meeting and the Resolution set out in the Notice of Meeting.

This Explanatory Statement accompanies and forms part of the Notice of Meeting and should be read by Shareholders in conjunction with the Notice of Meeting.

The Directors recommend that Shareholders read this Explanatory Statement before making any decisions in relation to the Resolution. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

A number of terms used in this document are defined in the Glossary in section 6 of this Explanatory Statement.

This Explanatory Statement is dated 14 August 2018.

## 2. OVERVIEW OF SAML ACQUISITION

### 2.1 Switzer Asset Management

#### *Introduction*

Switzer Asset Management is a boutique retail investment manager founded by the Company and the Switzer Financial Group. It is the responsible entity of the following registered managed investment schemes:

- (a) Switzer Dividend Growth Fund (ASX: SWTZ): this exchange-traded managed fund aims to provide investors with tax-effective income and long-term capital growth by investing in a core portfolio of blue-chip Australian shares.
- (b) Halidon Yield Enhanced Fund: this fund aims to provide investors with an attractive cash yield with minimal capital volatility by investing in a diverse range of yield-bearing assets, including cash, debt and hybrid securities.
- (c) WCM Quality Global Growth Fund (Quoted Managed Fund) (ASX:WCMQ). Switzer Asset Management commenced the offer for this exchange traded managed fund in July 2018 and its units are expected to commence trading on the ASX on 29 August 2018. Switzer Asset Management has partnered with WCM Investment Management to provide investors with access to global, ex-Australia, quality growth stocks.

As at 30 June 2018, Switzer Asset Management had approximately \$110 million in funds under management in the first two funds listed above.

The Contango Group Company invested in Switzer Asset Management in December 2015. It initially invested in Switzer Asset Management as an opportunity to partner with the Switzer Financial Group and to access a retail Australian financial services licence.

#### *Capital structure*

There are 2,600,001 SAML Shares on issue as follows:

SAML Shareholder	Number of SAML Shares held	Approximate proportion of issued share capital of Switzer Asset Management
Switzer Financial Group	1,202,501	46.25%
Tao Te	195,000	7.50%
Contango Group Company	1,202,500	46.25%
<b>Total</b>	<b>2,600,001</b>	<b>100%</b>

### Financial information

The following table sets out a pro-forma Statement of Financial Position as at 31 December 2017 of the Company and its controlled entities and Switzer Asset Management combined. It has been prepared on the assumption that the SAML Acquisition had been completed by that date. The combined pro-forma historical financial position is shown for illustrative purposes to demonstrate the potential impact of the proposed SAML Acquisition on the Company's financial position (noting that the financial information used in the pro-forma statement below has not been audited).

Due to the impending launch of the WCMQ fund, Switzer Asset Management may be required to obtain and hold additional liquid funds in order to comply with the requirements of its Australian Financial Services Licence to hold a minimum level of surplus liquid capital.

Contango Group Company has offered to assist Switzer Asset Management by providing part of the required capital by way of a subordinated loan, on reasonable arms' length commercial terms. The CGA board intends that if the SAML Acquisition proceeds, the interest rate on any loan provided by Contango Group Company to Switzer Asset Management will be reduced to nil once Switzer Asset Management becomes a wholly owned member of the Contango group of companies. This is consistent with industry practice regarding loans to wholly owned subsidiaries within a group.

The total amount of the loan (if any) that will be provided by Contango Group Company to Switzer Asset Management will not be known until the WCMQ fund is launched, because Switzer Asset Management will not be able to calculate the potential shortfall in its required surplus liquid capital until that time, however such loan will not exceed \$2.5 million.

### Proforma Statements of Financial Position as at 31 December 2017

	Company and controlled entities (audit reviewed) \$'000s	SAML (unaudited) \$'000s	Proforma adjustments \$'000s	Notes	Combined Total \$'000s
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	4,865	793			5,658
Receivables	660	90			750
Assets held for sale	1,977				1,977
Other	227	38			265
<b>Total current assets</b>	<b>7,729</b>	<b>921</b>	<b>-</b>		<b>8,650</b>
<b>Non Current Assets</b>					
Investment in associates - SAML	337		(337)	<b>3</b>	-
Other financial assets	604				604
Property, plant and equipment	199				199
Intangible assets	-	41	5,395	<b>4</b>	5,436
<b>Total Non-Current Assets</b>	<b>1,140</b>	<b>41</b>	<b>5,058</b>		<b>6,239</b>
<b>Total assets</b>	<b>8,869</b>	<b>962</b>	<b>5,058</b>		<b>14,889</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	1,049	191			1,240
Provisions	862				862
Other liabilities	2,000	538			2,538
<b>Total current liabilities</b>	<b>3,911</b>	<b>729</b>	<b>-</b>		<b>4,640</b>
<b>Non-Current Liabilities</b>					
Other non-current liabilities	-				-
Deferred tax liability	544				544
<b>Total non-current liabilities</b>	<b>544</b>				<b>544</b>
<b>Total liabilities</b>	<b>4,455</b>	<b>729</b>	<b>-</b>		<b>5,184</b>



<b>Net Assets</b>	<b>4,414</b>	<b>233</b>	<b>5,058</b>	<b>9,705</b>
<b>EQUITY</b>				
Issued capital	145,431	260	3,133 (260)	5 7
Reserves	112	90	(90)	7
Accumulated losses	(141,129)	(117)	2,158	6
			117	7
<b>Total Equity</b>	<b>4,414</b>	<b>233</b>	<b>5,058</b>	<b>9,705</b>

**Notes:**

1. The Company is Contango Asset Management Limited and its controlled entities as at 31 December 2017 and is audit reviewed.
2. SAML is Switzer Asset Management Limited as at 31 December 2017 and is unaudited.
3. Elimination of the Company's investment in SAML as an associate to a controlled entity as proposed.
4. Recording of the intangible assets inherent in the transaction in accordance with Australian Accounting Standard *AASB 3 Business Combinations*. The intangible assets balance represents the fair value of SAML's funds under management and goodwill, if any, using the mid-point valuations as determined by the Independent Expert. Finalisation of the accounting for the fair value of the assets acquired will be completed as at 30 June 2018.
5. Fair value of the consideration paid for the 53.75% interest in SAML as determined by Australian Accounting Standard *AASB 3* based on the Independent Expert's valuation.
6. Gain on the fair value of the Company's original shareholding in SAML based on the midpoint of the value of SAML as determined by the Independent Expert, taken to profit and loss in accordance with *AASB 3 Business Combinations* (excluding transaction costs of approximately \$250,000).
7. Accounting elimination of SAML's issued capital and pre-acquisition profits/losses.
8. This proforma Statement of Financial Position uses 31 December 2017 as the date of the pro-forma as this is the latest date for reported earnings for CGA. SAML's Unaudited Statement of Financial Position at 30 June 2018 is as follows:

	\$'000s
Cash & Other Current Assets	866
Deferred Tax Assets	44
Trade & Other Payables	(166)
Loans from Shareholders	(519)
<b>Net Assets</b>	<b>225</b>

*Board of directors*

The following are brief profiles of the current directors of Switzer Asset Management:

(a) **Peter Switzer (Chairman)**  
MCom

Peter Switzer is one of Australia's leading business and financial commentators, launching his own business more than 30 years ago. Switzer Financial Group has since grown into a successful content and financial services organisation. Mr Switzer is an award-winning broadcaster, twice runner up for the Best Current Affairs Commentator award for radio and was a long-term contributor to *The Australian* and *The Daily Telegraph*.

A former academic economist at the University of New South Wales, Mr Switzer is the founder and a current contributor to the Switzer Super Report, an investment newsletter for self-directed investors; a contributor to Switzer Daily, a leading business, finance and political commentary website; a host of his own TV show, SWITZER, on the Sky News Business Channel; a weekly columnist for Yahoo! Finance; and a finance commentator on the Macquarie Radio Network.

(b) **Martin Switzer**  
BEC

Martin Switzer is the chief executive officer and a Director of the Company. He was formerly the chief operating officer of Switzer Financial Group, a media and financial services business. He has worked in stock broking and journalism and has written for the business section of *The Australian*, the *Wentworth Courier* and *Charter* magazine. He has also hosted on the Sky News Business Channel from time to time.

Mr Switzer currently serves on the board of fashion media business, RUSSH, has been a director of the Entrepreneurs Organisation and an ambassador for the Fight Duchenne Foundation. Mr Switzer is also a non-executive director of WCM Global Growth Limited (ASX:WQG).

(c) **Paul Rickard**  
BSc, Dip FP, MSAA

Paul Rickard has over 26 years' experience as a senior executive within the financial services sector. His various roles include almost 20 years with the Commonwealth Bank, most notably as the founding managing director of CommSec, which he led from 1994 to 2002 and later chaired until 2009. During this time, he was awarded Australian 'Stockbroker of the Year' in 2005.

Mr Rickard was also a director of numerous other Commonwealth Bank subsidiaries, and joined the board of Switzer Asset Management in September 2009. He is also a non-executive director of WCM Global Growth Limited (ASX:WQG), Tyro Payments Ltd, Property Exchange Australia Ltd and Switzer Financial Group.

(d) **Jarrold Deakin**

BEc, Grad Dip App Fin, Dip FP

Jarrold Deakin is the portfolio manager of the Halidon Yield Enhanced Fund and an employee of the Company. He has more than 22 years' experience across investment banking, corporate advisory and portfolio management. He has extensive investment experience across asset classes including fixed interest, equity and currencies with more than 10 years working in offshore markets including New York, Boston and Hong Kong.

Mr Deakin began his career in Melbourne with HSBC before moving on to roles with Credit Suisse, Citigroup and RAA.

## 2.2 **Switzer Financial Group**

Approximately 55% of Switzer Financial Group is owned by Martin Alexander Publications Pty Ltd as trustee for the Switzer Family Trust. A Director of the Company, Martin Switzer, is a director and shareholder of Martin Alexander Publications Pty Ltd as well as a beneficiary of the Switzer Family Trust. See section 3.1 of this Explanatory Statement for further details.

## 2.3 **Share Sale Agreement**

The SAML Sellers have agreed to sell their SAML Shares to the Contango Group Company under the Share Sale Agreement, which was executed on 21 March 2018. On completion of the SAML Acquisition, Switzer Asset Management would then become a wholly-owned subsidiary of the Company.

The following is a summary of the Share Sale Agreement.

### *Consideration*

The consideration for the acquisition of the SAML Shares is to be satisfied by the issue by the Company of:

- (a) 6,166,668 new Contango Shares to Switzer Financial Group; and
- (b) 999,999 new Contango Shares to Tao Te.

The parties to the Share Sale Agreement have agreed that each SAML Share has a value (and notional issue price) of \$0.40, and therefore a notional value of approximately \$2,866,667 in total for the SAML Shares being acquired (or a notional value of \$5,333,333 for 100% of SAML). The notional issue price of \$0.40 per share represents:

- a discount of approximately 11.1% to the closing sale price of a Contango Share on ASX of \$0.45 on the trading day prior to the announcement of the SAML Acquisition;
- a premium of approximately 4.2% to the 30 day VWAP ending the trading day prior to the announcement of the SAML Acquisition of \$0.384; and
- a discount of approximately 2.9% to the 60 day VWAP ending the trading day prior to the announcement of the SAML Acquisition of \$0.412.

The Company will not raise any funds from this proposed issue of Contango Shares and will not pay any cash consideration for the acquisition of the SAML Shares.

### *Completion conditions*

Completion of the SAML Acquisition is subject to certain conditions, including that:

- (a) the approval of Shareholders under the Resolution is obtained;
- (b) subordinated loans of approximately \$273,000 in total made by the SAML Sellers to Switzer Asset Management in connection with the regulatory capital requirements for SAML's Australian financial services licence are repaid in full by Switzer Asset Management; and
- (c) there is no material adverse change in the assets, liabilities, financial position, performance, profits, losses, business, operations or prospects of Switzer Asset Management since 30 June 2017.

### *Completion date*

Once the conditions for completion have been satisfied or, where permitted, waived, completion of the SAML Acquisition (including the issue of the Contango Shares as the consideration for the acquisition) will occur two business days later.

If the Resolution is passed at the Meeting, completion of the Share Sale Agreement, and the issue of the Contango Shares described above, is expected to occur two business days after the Meeting.

### *Warranties*

The terms of the Share Sale Agreement include warranties by the SAML Sellers, including in relation to the share structure of Switzer Asset Management, the capacity of the SAML Sellers to sell their SAML Shares to the Contango Group Company, and Switzer Asset Management's accounts, tax and tax records, and intellectual property.

### *Licence to use 'Switzer' name*

The Company and Switzer Asset Management have been granted an irrevocable, perpetual, royalty free and exclusive licence to use the name 'Switzer' in connection with their funds management businesses of operating registered managed investment schemes as a responsible entity to, and the provision of dealing and advisory services in relation to, retail and wholesale clients (subject to some exceptions, such as the provision of financial advice and the development and distribution of other financial products like credit and deposit products).

## 2.4 Issue of Contango Shares

As at the date of this Explanatory Statement, the issued share capital of the Company is 41,908,361 Contango Shares. Assuming completion of the SAML Acquisition occurs, the Company's issued share capital will increase to 49,075,028 as a result of the issue of 7,166,667 Contango Shares to the SAML Sellers (representing approximately 14.6% of the total number of Contango Shares that would be on issue at that time).

The Contango Shares will be issued to the SAML Sellers as fully paid, ranking equally with all other ordinary shares then on issue in the Company.

The following table summarises the voting power of the SAML Sellers in the Company as at the date of this Explanatory Statement and following completion of the SAML Acquisition (assuming it occurs):

	Switzer Financial Group (and any associates)	Tao Te (and any associates)	Other Shareholders in the Company
<b>Number of Contango Shares held as at the date of this Explanatory Statement and before completion of the SAML Acquisition</b>	1,203,583	Nil	40,704,778
<b>Voting power as at the date of this Explanatory Statement</b>	approximately 2.9%	0%	approximately 97.1 %
<b>Number of Contango Shares to be issued in connection with the SAML Acquisition</b>	6,166,668	999,999	0
<b>Number of Contango Shares held immediately following completion of the SAML Acquisition</b>	7,370,251	999,999	40,704,778
<b>Voting power immediately following completion of the SAML Acquisition</b>	approximately 15.0%	approximately 2.0%	approximately 83.0%
<b>Change in voting power immediately before and immediately following completion of the SAML Acquisition</b>	increase of approximately 12.1%	increase of approximately 2.0%	decrease of approximately 14.1%

The above table has been prepared:

- (a) on the basis of the information available to the Company as at the date of this Explanatory Statement; and
- (b) on the assumption that:
  - (1) there are no other changes to the issued share capital of the Company; and
  - (2) none of the SAML Sellers (or their associates) acquire, or dispose of, Contango Shares;
 between the date of this Explanatory Statement and the date of completion of the SAML Acquisition, other than the proposed issue of new Contango Shares to the SAML Sellers under the Share Sale Agreement.

## 2.5 Reasons for SAML Acquisition

The Directors believe that the SAML Acquisition is in the best interests of the Company because the acquisition:

- (a) will more closely align the distribution, marketing, investment expertise, portfolio management and operational experience of both the Company and Switzer Financial Group;
- (b) means the Company will acquire an Australian financial services licence which authorises the provision of financial services to retail investors, enabling the Company to launch investment funds in the retail market;
- (c) extends the Company's ability to use the 'Switzer' name, which is a well-recognised and respected brand in the retail investment market;
- (d) increases the Company's financial interest in the most rapidly expanding part of its business and Switzer Asset Management's pipeline of new funds and delivers control to the Company over Switzer Asset Management's operations; and
- (e) allows the Company to consolidate Switzer Asset Management and provides the Company with direct access to Switzer Asset Management's future cash flows and revenues.

## 2.6 Company's intentions in relation to Switzer Asset Management

As a result of the SAML Acquisition, Switzer Asset Management will become a wholly-owned subsidiary of the Company. The present intentions of the Directors are that the business of Switzer Asset Management will continue as usual and there will not be any major changes made to it, other than as follows:

- (a) Mr Peter Switzer and Mr Paul Rickard will resign as directors of Switzer Asset Management (but will remain respectively the chairman and a member of Switzer Asset Management's investment committee); and
- (b) a senior executive of the Company, will be appointed a director of Switzer Asset Management.

## 2.7 Alternatives to the SAML Acquisition

As part of their consideration of the SAML Acquisition, the Directors considered other alternative transactions or business strategies the Company could undertake, as well as the opportunity cost of the SAML Acquisition. Given the circumstances described below, the Directors concluded that the SAML Acquisition was superior to any alternative considered by them.

### *Continuing the status quo*

The Company previously announced to ASX on 20 October 2017, 24 November 2017, 20 February 2018, 21 March 2018 and 26 March 2018 that the Directors had taken the strategic decision to focus on the listed investment company mandates of the Company, together with the products offered via Switzer Asset Management. This is the fastest growing part of the Company's business and the Directors believe this strategy utilises the Company's competitive advantages to provide the best opportunity for attractive shareholder returns.

The Company considered maintaining a 46.25% interest in Switzer Asset Management. However, as that would involve remaining a minority shareholder in a joint venture arrangement, the Company would have been restricted in its ability to control the future development and growth of this core business. Accordingly, the Directors considered that increasing the Company's ownership interest in the most rapidly expanding part of its business was preferable to continuing the status quo.

### *Other business acquisitions*

At the time the Company confirmed its strategic decision to focus on its listed investment company mandates and its investment in Switzer Asset Management, and also at the time of assessing the SAML Acquisition, the Directors considered the possibility of the Company acquiring an additional complementary business instead of further investing in Switzer Asset Management. However, the Company did not identify any business opportunity that it regarded as being able to provide superior returns to the SAML Acquisition. Further, the Company wished to preserve its existing cash reserves for the ongoing growth of its core business activities, consistent with its previously announced strategy.

### *Opportunity cost*

The Directors consider that the SAML Acquisition involves limited opportunity cost for the Company. The Company's cash reserves will be reduced by the transaction costs involved in the SAML Acquisition, but those costs have been contained largely to the fees of professional advisers because no cash consideration is payable to the SAML Sellers. Further, the SAML Acquisition does not preclude the Company from considering other acquisitions or strategic opportunities as and when they may arise.

The Directors weighed up the potential opportunity cost in connection with the SAML Acquisition against the disadvantages of the transaction not proceeding and considered that the advantages of the SAML Acquisition outweighed any disadvantages or opportunity cost. For example, if the SAML Acquisition does not proceed, the Company will not:

- (a) acquire an Australian financial services licence authorising it to provide financial services to retail customers, hindering the Company's ability to launch investment funds in the retail market in accordance with its stated objectives; and
- (b) achieve the scale of funds under management necessary to compete most effectively in the funds management industry as quickly as it would otherwise be able to do so if the SAML Acquisition proceeds.

## 3. THE RESOLUTION

Under the Resolution, Shareholder approval of the SAML Acquisition is being sought for the purposes of rules 10.1 and 10.11 of the ASX Listing Rules and for the purpose of chapter 2E of the Corporations Act (and for all other purposes).

### 3.1 Rule 10.1 of the ASX Listing Rules

Rule 10.1 of the ASX Listing Rules states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party of the entity (or certain other persons) without shareholder approval.

In relation to rule 10.1:

- (a) a 'child entity' includes a wholly-owned subsidiary of the entity;
- (b) a 'substantial asset' is one worth at least 5% of shareholders' equity (net assets) as set out in the entity's latest accounts given to ASX; and
- (c) a 'related party' includes a company controlled by directors of the entity or the parents of directors of the entity.

In the case of the SAML Acquisition:

- (d) the Contango Group Company is a child entity of the Company;
- (e) the SAML Shares are a substantial asset; and
- (f) Switzer Financial Group is a related party of the Company because:
  - (1) two of the three directors of Switzer Financial Group are Peter Switzer and Maureen Switzer, the parents of a Director of the Company, Martin Switzer;
  - (2) approximately 55% of Switzer Financial Group is owned by Martin Alexander Publications Pty Ltd as trustee for the Switzer Family Trust;
  - (3) three of the four directors of that trustee company, and the shareholders holding 75% of the issued shares of that trustee company, are Martin Switzer, Peter Switzer and Maureen Switzer; and

- (4) Martin Switzer, Peter Switzer and Maureen Switzer are beneficiaries of that trust.

In the circumstances, the proposed acquisition by the Contango Group Company of the SAML Shares held by Switzer Financial Group would be the acquisition by a child entity of the Company of a substantial asset from a related party for the purpose of rule 10.1.

Accordingly, Shareholders are being asked to approve, by passing the Resolution, the SAML Acquisition for the purpose of rule 10.1 of the ASX Listing Rules.

Rule 10.10 of the ASX Listing Rules states that, when seeking shareholder approval of a transaction under rule 10.1, a notice of meeting must include a report on the transaction from an independent expert which states the expert's opinion as to whether the transaction is fair and reasonable to shareholders who are entitled to vote on the approval resolution. The Company has obtained an Independent Expert Report in relation to the SAML Acquisition for the purpose of rule 10.10, which is set out in annexure A to this Explanatory Statement. **The Independent Expert's opinion is that the SAML Acquisition is fair and reasonable to Shareholders entitled to vote on the Resolution.**

A copy of the Independent Expert Report is also available on the 'Announcements & Reports' page of the Company's website at <http://contango.com.au/investor-centre/announcements-reports/>. If requested by a Shareholder, the Company will post a hard copy of the Independent Expert Report to the Shareholder at no cost.

### 3.2 Rule 10.11 of the ASX Listing Rules

Rule 10.11 of the ASX Listing Rules states that an entity must not issue (or agree to issue) securities to a related party (among others) without shareholder approval, unless one of the exceptions in rule 10.12 applies.

Switzer Financial Group is a related party of the Company for the reasons indicated in section 3.1 of this Explanatory Statement.

One of the exceptions in rule 10.12 (exception 10) is for an agreement to issue shares that is conditional on shareholders approving the issue before it is made.

Accordingly, Shareholders are being asked to approve, by passing the Resolution, the issue of SAML Shares to Switzer Financial Group as summarised in section 2.3 of this Explanatory Statement, for the purposes of rule 10.11 and exception 10 in rule 10.12 of the ASX Listing Rules.

#### *Rule 7.1 of the ASX Listing Rules*

Rule 7.1 of the ASX Listing Rules restricts the number of Contango Shares and other equity securities the Company may issue or agree to issue without Shareholder approval in a 12 month period to a maximum of 15% of the Company's issued capital, subject to a number of exceptions set out in rule 7.2 of the ASX Listing Rules. One of those exceptions is an issue of shares that is made with the approval of holders of ordinary securities under rule 10.11 of the ASX Listing Rules: exception 14. In the circumstances, if Shareholder approval under rule 10.11 is obtained by the Resolution being passed, the Company will be able to issue the Contango Shares to the SAML Sellers without having to obtain Shareholder approval under rule 7.1 (and without the Contango Shares issued to them depleting the Company's 15% annual capacity to issue Contango Shares without Shareholder approval under rule 7.1).

### 3.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act states that for a public company (such as the Company) to give a financial benefit to a related party, it must obtain shareholder approval (unless the giving of the benefit falls within an exception set out in sections 210 to 216 of the Corporations Act). The Company is not seeking to rely on any of the exceptions in relation to the SAML Acquisition.

For the purpose of chapter 2E, the proposed issue of Contango Shares to Switzer Financial Group under the Share Sale Agreement as part of the SAML Acquisition would constitute the giving of a financial benefit to a related party. There is an explanation as to why Switzer Financial Group is a related party of the Company in section 3.1 of this Explanatory Statement.

Accordingly, the Resolution seeks shareholder approval for the purpose of chapter 2E of the Corporations Act to the issue of Contango Shares to Switzer Financial Group in accordance with the Share Sale Agreement.

As noted in section 3.1 of this Explanatory Statement, the Company engaged the Independent Expert to prepare a report for Shareholders on the SAML Acquisition, which is set out in annexure A to this explanatory statement.

## 4. DIRECTORS' VOTING RECOMMENDATIONS ON THE RESOLUTION

Martin Switzer has an interest in the outcome of the Resolution (see section 3.1(f) of this Explanatory Statement). He disclosed that interest to the other Directors of the Company and did not vote on resolutions by the Directors in relation to the SAML Acquisition. Given his interest, Mr Switzer does not consider it appropriate for him to make a recommendation to Shareholders about how to vote on the Resolution, and does not do so.

The other directors of the Company, Roger Amos, Charles Aitken and Patricia Toh, do not have an interest in the outcome of the Resolution (other than an interest as a holder or controller of Contango Shares which is held in common with other holders and controllers of Contango Shares). They recommend that shareholders vote in favour of the Resolution. The reasons they make this recommendation are set out in this Explanatory Statement (see, for example, section 2.5) and they make this recommendation having considered alternatives to, and the opportunity cost of, the SAML Acquisition (see section 2.7).

## 5. FURTHER INFORMATION

### 5.1 No other material information

Except as set out in this Explanatory Statement, in the opinion of the Directors, there is no other information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolution and is known to the

Company or any of its Directors.

## 5.2 Authorisation

The Notice of Meeting and this Explanatory Statement have been approved by a resolution passed by the Directors.

## 5.3 Responsibility

The Notice of Meeting and this Explanatory Statement have been prepared by the Company under the direction and oversight of the Directors.

## 5.4 Forward-looking statements

Some of the statements appearing in this Explanatory Statement may be in the nature of forward-looking statements. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and those deviations are both normal and to be expected.

None of the Company, any of its officers or any person named in this Explanatory Statement or involved in its preparation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, and you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Explanatory Statement reflect views held only at the date of this document. The Company has no obligation to disseminate, after the date of this Explanatory Statement, any updates or revisions to those statements to reflect any change in expectations in relation to those statements, or any change in events, conditions or circumstances on which those statements are based, unless it is required under the Corporations Act to update or correct this document or to do so pursuant to its continuous disclosure obligations under the ASX Listing Rules and/or the Corporations Act.

## 5.5 Times

All times referred to in the Notice of Meeting and this Explanatory Statement are **Australian Eastern Standard Time**.

## 6. GLOSSARY

In this Explanatory Statement, unless the context otherwise requires, the following terms will have the following meanings:

**ASX** means, as the case requires, ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** means the listing rules of ASX.

**Board** means the board of directors of the Company.

**Chairman** means the chairman of the Meeting.

**Company** means Contango Asset Management Limited ACN 080 277 998.

**Constitution** means the constitution of the Company as amended from time to time.

**Contango Group Company** means 2735 CSM Holdings Pty Ltd ACN 085 657 147.

**Contango Shares** means fully paid ordinary shares in the Company and **Contango Share** means any one of those shares.

**Corporations Act** means the *Corporations Act 2001* (Cth) as amended from time to time.

**Directors** means the directors of the Company.

**Explanatory Statement** means this explanatory statement (as amended or supplemented from time to time) annexed to and forming part of the Notice of Meeting.

**Independent Expert** means Lonergan Edwards & Associates Limited ABN 53 095 445 560.

**Independent Expert Report** means the report by the Independent Expert dated 10 August 2018, a copy of which is annexure A to this Explanatory Statement.

**Meeting** means the extraordinary general meeting of Shareholders to be held on Wednesday, 12 September 2018 at 2:00pm at Taylor Collison, Level 10, 167 Macquarie Street, Sydney, New South Wales, 2000.

**Notice of Meeting** or **Notice** means the notice of meeting convening the Meeting.

**Resolution** means the resolution set out in the Notice of Meeting, an explanation of which is set out in this Explanatory Statement.

**SAML Acquisition** means the proposed acquisition of 1,397,501 SAML Shares by the Contango Group Company from Switzer Financial Group and Tao Te under the Share Sale Agreement, as further described in this Explanatory Statement.

**SAML Sellers** means Switzer Financial Group and Tao Te and **SAML Seller** means any of them.

**SAML Shares** means fully paid ordinary shares in Switzer Asset Management and **SAML Share** means any one of those shares.

**Share Sale Agreement** means the share sale agreement dated 21 March 2018 between Switzer Financial Group, Tao Te, the Contango Group Company and the Company.

**Shareholders** means holders of the Contango Shares and **Shareholder** means any one of those Shareholders.

**Switzer Asset Management or SAML** means Switzer Asset Management Limited ACN 123 611 978.

**Switzer Financial Group** means Switzer Financial Group Pty Ltd ACN 112 294 649.

**Tao Te** means Tao Te Pty Ltd ACN 115 064 214.

# Annexure A

## Independent Expert Report

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Report by Lonergan Edwards & Associates in relation to the  
SAML Acquisition



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The Independent Directors  
Contango Asset Management Limited  
Level 27  
35 Collins Street  
Melbourne, VIC 3000

10 August 2018

**Subject: Proposed acquisition of remaining 53.75% interest in Switzer Asset Management Limited**

Dear Independent Directors

## Introduction

- 1 As outlined in the Notice of Meeting and Explanatory Statement to which this report is annexed, Contango Asset Management Limited (CGA or the Company) proposes to acquire the remaining 53.75% interest in Switzer Asset Management Limited (SAM) to which it is currently not entitled, the consideration for which will comprise the issue of new shares in CGA (the Proposed Transaction).
- 2 Pursuant to the agreement entered into, the shares in CGA are to be issued to Switzer Financial Group Pty Ltd (SFG) (a related party to CGA and shareholder in SAM) and Tao Te Pty Ltd (Tao Te) (a minority shareholder in SAM).
- 3 The new shares will comprise approximately 17% of the existing ordinary shares on issue in CGA, and are to be issued as to:
  - (a) 6,166,668 shares to SFG (representing a 46.25% interest in SAM)
  - (b) 999,999 shares to Tao Te (representing a 7.5% interest in SAM).

## Scope

- 4 The Proposed Transaction is considered a related party transaction under Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act) and the Australian Securities Exchange (ASX) Listing Rules, and requires the approval of those shareholders of CGA that are not considered a party to the transaction (the non-associated shareholders).
- 5 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party or a substantial holder (of greater than 10% of the voting rights) or associates of either without the approval of the holders of the entity's ordinary securities. Approval is required by resolution at a general meeting.

- 6 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.
- 7 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the transaction is fair and reasonable to the non-associated members<sup>1</sup>.
- 8 The Independent Directors of CGA have therefore requested Lonergan Edwards & Associates Limited (LEA) to prepare an independent expert's report (IER) stating whether, in our opinion, the Proposed Transaction is fair and reasonable to CGA shareholders. We note that there will be voting restrictions in place for SAM shareholders who are also CGA shareholders.
- 9 Our report will accompany the Notice of Meeting and Explanatory Statement to be sent by CGA to its shareholders in connection with the Proposed Transaction. LEA is independent of CGA and SAM and has no other involvement or interest in the Proposed Transaction.

### **Summary of opinion**

- 10 In LEA's opinion the Proposed Transaction is fair and reasonable to the shareholders of CGA<sup>2</sup>. We have arrived at this conclusion for the reasons set out below.

### **Assessment of fairness**

- 11 Pursuant to ASIC RG 111, the Proposed Transaction is "fair" if:

*"... the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."*

- 12 In circumstances such as the Proposed Transaction, where the consideration payable comprises wholly of scrip, we consider a relative value comparison to be more appropriate than a comparison of absolute value. We have therefore considered:
  - (a) a comparison based on share market trading and value as a percentage of FUM; and
  - (b) a comparison based on the respective DCF values of both businesses.

### **Comparison based on share trading / value as a percentage of FUM**

- 13 As noted in Section IV, CGA was trading around 40 cents per share prior to the announcement of the Proposed Transaction. In order for this value to be maintained following implementation of the Proposed Transaction the value of SAM as a percentage of FUM needs to be no less than 4.85% of SAM's FUM as at 30 June 2018, as shown below:

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<sup>1</sup> Chapter 2E of the Corporations Act does not impose an IER requirement.

<sup>2</sup> References to CGA shareholders relate to those CGA shareholders not considered a party to the Proposed Transaction (unless otherwise stated).

	<b>CGA pre transaction</b>	<b>Acquisition of 53.75% of SAM</b>	<b>CGA post transaction</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
FUM	260.3 <sup>(1)</sup>	59.1 <sup>(2)</sup>	319.4
Value per FUM (%)	4.1 <sup>(3)</sup>	4.85 <sup>(4)</sup>	4.3%
Business value	10.75	2.87	13.62
Surplus assets	6.00 <sup>(5)</sup>	-	6.00
Equity value	16.75 <sup>(6)</sup>	2.87	19.62
Shares on issue	41.9	7.2	49.1
Value per share	\$0.40		\$0.40

**Note:**

- 1 Includes pro-rata share (46.25%) of SAM's FUM as at 30 June 2018 of \$110 million.
- 2 Being 53.75% of SAM's FUM as at 30 June 2018 of \$110 million.
- 3 Refer paragraph 89. Mid-point value.
- 4 Refer paragraph 105. Mid-point value.
- 5 Refer paragraph 89.
- 6 Mid-point of \$15.5 million to \$18.0 million range based on pre-transaction share pricing trading.

- 14 As shown above, CGA's share price prior to the announcement of the Proposed Transaction implies a value for the CGA business equal to 4.1% of FUM. In comparison, the consideration to be paid for the remaining 53.75% interest in SAM (being 7,166,667 CGA shares) implies a value for SAM equal to 4.85% of SAM's FUM as at 30 June 2018.
- 15 CGA is therefore paying a higher value for SAM on a value as a percentage of FUM basis than implied by CGA share trading prior to the announcement of the Proposed Transaction. If both businesses were directly comparable this would indicate, prima facie, that the Proposed Transaction was not fair. However, in our view, the businesses are not directly comparable and it is appropriate to attribute a higher value as a percentage of FUM to SAM because:
  - (a) SAM has a higher expected growth in FUM, due to (for example) the expected launch of the WCMQ fund and the public profile of Mr Peter Switzer. As noted in Section V, since 30 June 2018 SAM has launched a new exchange traded managed fund (WCMQ). Whilst the offer for units in WCMQ does not close until 22 August 2018 (and the amount raised under the offer is therefore uncertain) we note that SAM only has to raise around \$20 million<sup>3</sup> for the WCMQ fund in order to reduce the value of the consideration being paid for SAM as a percentage of FUM to 4.1% (consistent with the value implied by CGA prior to the announcement of the Proposed Transaction)
  - (b) SAM is closer to achieving profitability than CGA, due to its lower fixed cost base
  - (c) SAM's two existing funds are managed funds rather than LICs. Whilst CGA's managed LICs have struggled to grow FUM due to (inter-alia) the dilutionary impact on investors of raising new capital at a discount to underlying NTA, SAM's Switzer Dividend Growth Fund (SWTZ) has increased FUM from \$60 million at March 2017 to around \$77 million as at June 2018 through (in part) the issue of new units in the fund.

<sup>3</sup> SAM management currently expect to raise funds significantly in excess of \$20 million.

- 16 Accordingly, based on a value as a percentage of FUM comparison, in our opinion, the Proposed Transaction is fair.

### **DCF analysis**

- 17 We set out below a comparison of the value of CGA shares before and after implementation of the Proposed Transaction based on our Base Case DCF valuations of CGA and SAM's businesses:

<b>Value comparison based on Base Case DCF values</b>			
	<b>CGA pre transaction</b>	<b>Acquisition of 53.75% of SAM</b>	<b>CGA post transaction</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Value of CGA funds management business	(1.3) <sup>(1)</sup>	-	(1.3)
Value of SAM	1.2 <sup>(2)</sup>	1.3 <sup>(3)</sup>	2.5
Surplus assets	6.0 <sup>(4)</sup>	-	6.0
Equity value	5.9	1.3	7.2
Shares on issue	41.9	7.2	49.1
Value per share <sup>(5)</sup>	\$0.141		\$0.147

**Note:**

- 1 Refer paragraph 96.
- 2 46.25% of \$2.5 million (refer paragraph 111).
- 3 53.75% of \$2.5 million (refer paragraph 111).
- 4 Refer paragraph 89.
- 5 We note that the Base Case DCF value is significantly less than the value implied by recent trading in CGA shares prior to the announcement of the Proposed Transaction. We attribute this significant difference to:
  - (a) the high level of operating costs currently incurred by CGA on a standalone basis (and relatively low level of FUM), which is reflected in our DCF value
  - (b) the higher value of CGA to a potential acquirer in the funds management industry, as such an acquirer is likely to be able to generate significant cost savings from combining the businesses (which, in our view, is reflected in the listed market price and value / FUM multiples).

- 18 As shown above, our Base Case DCF analysis indicates that the value of CGA shares is enhanced as a result of the Proposed Transaction.
- 19 Thus, in our view, the Proposed Transaction is also fair to CGA shareholders when assessed based on relative DCF values.

### **Assessment of reasonableness**

- 20 Pursuant to RG 111, the Proposed Transaction is reasonable if it is fair. Consequently, we have concluded that the Proposed Transaction is both fair and reasonable.
- 21 There are also advantages and disadvantages associated with the Proposed Transaction which we consider relevant to a CGA shareholder approval decision:

#### **Advantages**

- (a) based on ASX trading in the period subsequent to the announcement of the Proposed Transaction on 21 March 2018 to 27 July 2018, which reflects share prices that significantly exceed the price of around \$0.40 per share at which CGA shares traded prior to 21 March 2018, the position of CGA shareholders has been significantly

enhanced as a result (prima facie) of anticipation of the announced transaction being completed

- (b) CGA management have identified a number of intangible benefits associated with the Proposed Transaction, which we consider could reasonably be expected to lead to improved financial performance (and hence share market value appreciation) over the medium term

***Disadvantages***

- (c) as the consideration for the proposed acquisition of the remaining 53.75% interest in SAM comprises shares in CGA, if the Proposed Transaction is approved, the interests of CGA shareholders will therefore be diluted.

**General**

- 22 The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction. If shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 23 For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that CGA shareholders read the remainder of our report.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative

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## **Appendices**

- A Financial Services Guide**
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## **I Scope of our report**

### **Purpose**

- 24 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to (amongst others) a related party or a substantial holder (of greater than 10% of the voting rights) or associates of either without the approval of the holders of the entity's ordinary securities. Approval is required by resolution at a general meeting.
- 25 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.
- 26 ASX Listing Rule 10.10.2 requires that the notice of general meeting include a report from an independent expert stating whether the Proposed Transaction is fair and reasonable to the non-associated members<sup>4</sup>.
- 27 The Independent Directors of CGA have therefore requested LEA to prepare an IER to assist CGA shareholders in making a decision whether or not to approve the Proposed Transaction. Accordingly, the IER sets out an independent assessment of whether the Proposed Transaction is fair and reasonable to CGA shareholders not associated with the Proposed Transaction, together with the reasons for this opinion.
- 28 This report has been prepared by LEA for the benefit of CGA shareholders to assist them in considering the resolution to approve the Proposed Transaction. Our report will accompany the Notice of Meeting and Explanatory Statement to be sent to CGA shareholders. The sole purpose of our report is to determine the opinion referred to above.
- 29 The ultimate decision whether to approve the Proposed Transaction should be based on each CGA shareholder's assessment of the Proposed Transaction. If in doubt about the Proposed Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

### **Basis of assessment**

- 30 In preparing our report we have given due consideration to the ASX Listing Rules and Regulatory Guidelines issued by ASIC, particularly RG 111.
- 31 Neither the ASX Listing Rules nor ASIC Regulatory Guides define "fair and reasonable" in the context of a related party transaction.
- 32 In respect of a "control transaction"<sup>5</sup>, RG 111 distinguishes "fair" from "reasonable" and considers:
  - (a) an offer to be "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. A comparison must be made assuming 100% ownership of the target company

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<sup>4</sup> Chapter 2E of the Corporations Act does not impose an IER requirement.

<sup>5</sup> Where a person acquires or increases a controlling stake in a company. For example where a person's voting power in a company increases from 20% or below, to more than 20% because of the transaction.



- (b) an offer to be “reasonable” if it is fair. An offer may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

33 However, as the Proposed Transaction is not a control transaction (as regards the securities in CGA), in our opinion the most appropriate basis upon which to evaluate whether the Proposed Transaction is “fair and reasonable” to the non-associated shareholders in CGA is to consider:

- (a) the value of the 53.75% interest in SAM being acquired
- (b) the value of the consideration being paid, being 7.167 million ordinary shares in CGA (representing approximately 17% of the existing ordinary shares on issue). In this regard, as the Proposed Transaction is not a control transaction (that will result in the shareholders of SAM acquiring an interest in CGA in excess of 20%) the value of the consideration has been assessed on a minority interest basis
- (c) the extent to which (a) and (b) differ, in order to assess whether the Proposed Transaction is “fair” to the non-associated shareholders (i.e. whether the value of the 53.75% shareholding in SAM being acquired exceeds or is equal to the minority interest value of the CGA shares being issued as consideration)
- (d) other qualitative factors to determine whether the advantages of the Proposed Transaction to the non-associated shareholders outweigh the disadvantages.

### **Limitations and reliance on information**

- 34 Our opinion is based on the economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 35 Our report is also based upon financial and other information provided by or on behalf of CGA and SAM. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. None of these additional tasks have been undertaken.
- 36 An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

## II Profile of CGA

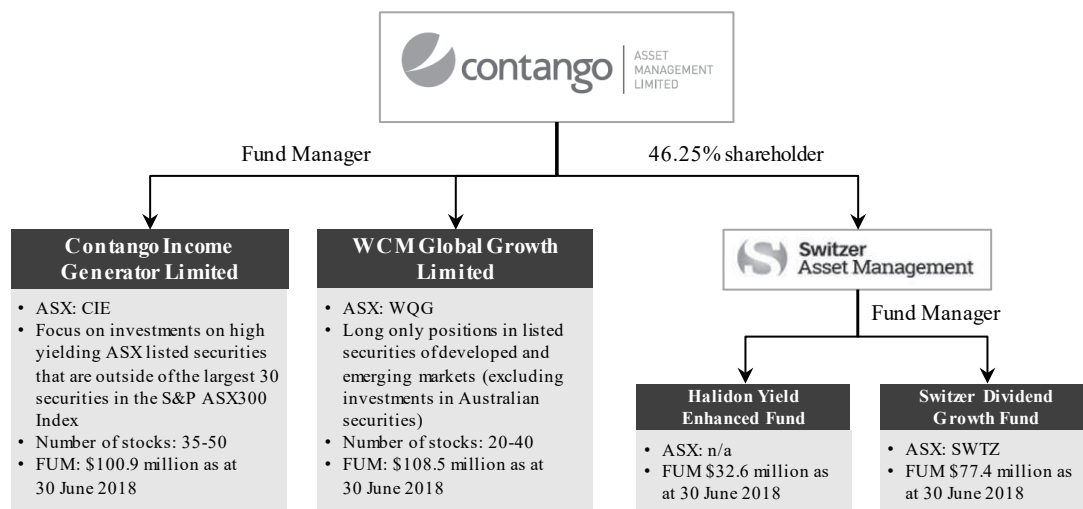
### Overview

- 37 CGA is an Australian based fund manager with a focus on listed and exchange traded investments targeted at retail, self-directed and independent financial advisory channels. The company is the investment manager of two ASX listed investment companies (LIC), being Contango Income Generator Limited (CIE) and WCM Global Growth Limited (WQG), and also holds a 46.25% interest in SAM, an Australian fund manager specialising in managed funds for retail investors<sup>6</sup>.

### Current operations

- 38 CGA operates from a Sydney head office and currently employs nine staff. The company has undergone a transition in strategic direction in recent periods, following the sale of the management rights of Contango Microcap Limited for \$12.5 million in October 2017<sup>7</sup>. The transaction provided CGA with capital to pursue its renewed focus on large and midcap companies as the company transitions from an institutionally focused fund manager to a specialist listed investment house targeting the self-directed and independent financial advisor channels of the retail market. CGA generates revenue through the charging of management fees as a percentage of funds managed on behalf of its clients.
- 39 As at 30 June 2018 CGA had approximately \$260 million in FUM<sup>8</sup> across the management of the two ASX LICs and SAM (a fund manager of two managed investment schemes). A summary of CGA's current operations is set out below:

#### CGA – Current operations



n/a – not available.

<sup>6</sup> A profile of SAM is set out in Section III of this report.

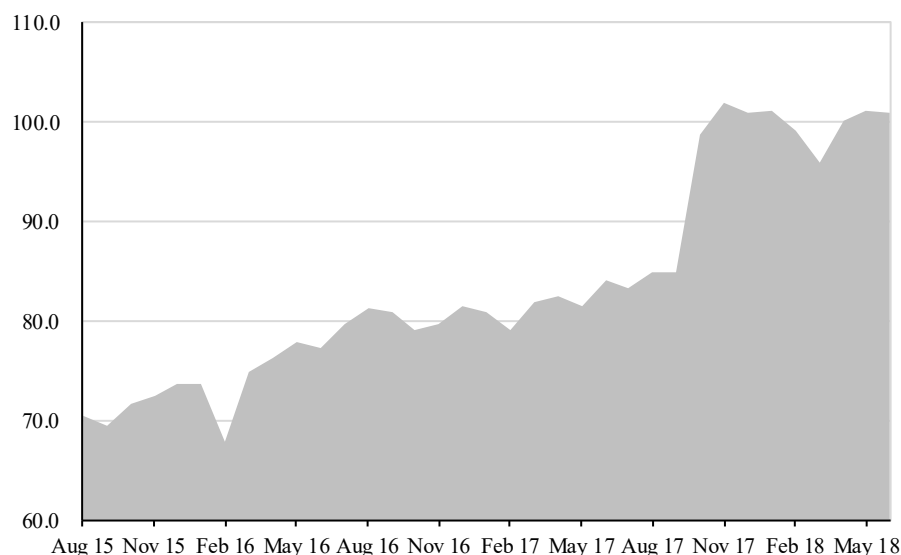
<sup>7</sup> Part of the consideration in respect of this sale is being received on a deferred basis.

<sup>8</sup> This includes 46.25% of the FUM of SAM of \$110 million. Pursuant to the Proposed Transaction, the total FUM of CGA will increase to \$319 million (which includes 100% of SAM's FUM of \$110 million).

## CIE

- 40 CIE is an ASX listed investment company that aims to deliver a sustainable income stream and modest capital growth to its shareholders by focusing on high yielding securities that are outside the largest 30 securities in the S&P/ASX 300 Index. The company commenced operations after a successful initial public offering (IPO) in July 2015 which raised \$69.9 million<sup>9</sup> and listed on the ASX on 14 August 2015.
- 41 CGA, via its wholly owned subsidiary Contango Funds Management Limited (CFML), was appointed as the investment manager of CIE pursuant to the Investment Management Agreement (IMA) dated 24 June 2016. The IMA is for an initial term of five years and, unless terminated, automatically extends for successive five year periods at expiry. Under the IMA, CGA is entitled to receive a management fee, payable quarterly in arrears, based on the portfolio size of CIE as follows:
- (a) 0.95% per annum (excluding GST<sup>10</sup>) for the component of CIE's portfolio valued at less than or equal to \$150 million; plus
  - (b) 0.90% per annum (excluding GST) on the increment of CIE's portfolio valued above \$150 million but less than or equal to \$500 million; plus
  - (c) 0.85% per annum (excluding GST) on the increment of CIE's portfolio above \$500 million; and
  - (d) no performance fee is payable to CGA under the terms of the IMA.
- 42 Since listing on the ASX in August 2015, CIE's portfolio has increased at a compound annual growth rate (CAGR) of 13.6% to reach \$100.9 million as at 30 June 2018:

**CIE – portfolio size (\$m)**



Source: CIE ASX announcements.

<sup>9</sup> Net of expenses.

<sup>10</sup> Goods and services tax (GST).

- 43 In addition to termination for an unremedied breach or if CFML goes into liquidation, CIE may terminate the IMA at any time after the commencement date of the agreement if:
- (a) CFML sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of CFML, or of a beneficial interest in that main business or undertaking (other than for the purpose of a corporate reconstruction on terms approved by CIE)
  - (b) a person acquires a relevant interest in voting shares in CIE where, because of the acquisition, that person's voting power in CIE exceeds 50% and such person did not have the relevant interest at the date of the CIE IMA
  - (c) a receiver, receiver and manager, administrator or similar person is appointed with respect to the assets and undertakings of CFML
  - (d) CFML does not meet or otherwise fails to achieve the specified "Investment Objective"<sup>11</sup> over any rolling three year periods after 24 June 2016, and the Board of CIE in its discretion elects to place before the shareholders of CIE an ordinary resolution approving the termination of the CIE IMA, and the shareholders of CIE pass the ordinary resolution approving termination of the agreement
  - (e) at a general meeting of CIE, the shareholders of CIE pass an ordinary resolution approving the termination of the CIE IMA, provided that CFML has had a reasonable opportunity to state its case to shareholders of CIE prior to the general meeting and in person at the general meeting.

## **WQG**

- 44 WQG is a global equities investment company with a focus on investing in listed securities of developed and emerging markets (excluding investments in Australian securities) with high returns on invested capital, superior growth prospects and low or no debt. The company listed on the ASX on 23 June 2017 following the completion of a successful IPO raising of \$97.2 million<sup>12</sup>.
- 45 CGA, via its wholly owned subsidiary Contango International Management Limited (CIML), was appointed as the investment manager of WQG pursuant to the IMA dated 1 May 2017, with an initial Investment Management term of 10 years. After expiry of the initial term (and unless otherwise terminated) the IMA automatically extends for successive five year periods. Under the IMA, CGA is entitled to receive a management fee, performance fee and, in some circumstances, a termination fee.

## ***Management fee***

- 46 In return for the performance of its duties as manager of the WQG portfolio, CGA is entitled to be paid a monthly management fee equal to 1.25% (plus GST) per annum of the portfolio value of WQG.

<sup>11</sup> The Investment Objective for the CIE IMA is to exceed the performance of the S&P/ASX Mid-Cap Industrial Accumulation Index over any rolling three year period after 24 June 2016.

<sup>12</sup> After costs associated with the IPO.

### ***Performance fee***

- 47 In addition to the management fee, CGA is entitled to a performance fee equal to 10.0% (plus GST) of the outperformance of WQG's portfolio relative to the "total hurdle amount", being the initial portfolio value adjusted for the benchmark return (being the MSCI All Country World Index, ex-Australia, with gross dividends reinvested reported in Australian dollars and unhedged) plus management fees over each financial year, subject to full recoupment of any prior underperformance.
- 48 The maximum performance fee payable in any financial year is capped at 0.75% of the closing market value of WQG's portfolio in each financial year. Any outperformance above the performance fee cap is carried forward to future financial years, to be offset against any underperformance.

### ***Termination fee***

- 49 If the IMA is terminated by WQG after the initial term, a termination fee of up to 1.0% of the portfolio value of WQG as at the date of termination is payable to CGA, with this amount reducing by 0.2% each year after the initial term. After five years from the initial term no termination fee is payable.

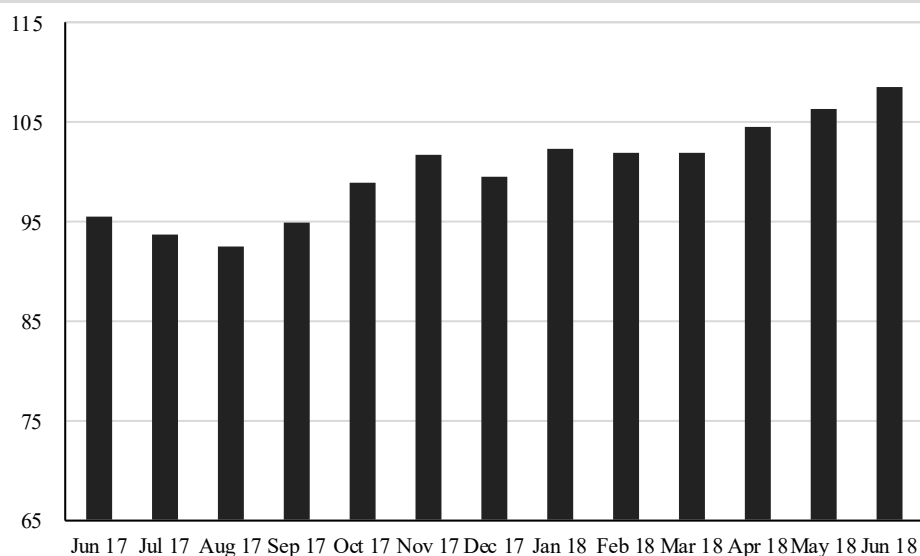
### ***Advisor fees***

- 50 WCM Investment Management (WCM), a global equities specialist fund manager, has been engaged by CGA to provide investment advisory and portfolio management services in respect of WQG's portfolio. CGA has entered into an Advisory Agreement with WCM, with a term coterminous with its IMA with WQG. Under the Advisory Agreement, CGA is required to pay WCM a monthly management fee equal to 0.75% per annum (plus GST) of the portfolio value of WQG. WCM is also entitled to 100% of any performance fees that are paid to CGA under the IMA.

### ***Portfolio size***

- 51 Since listing on the ASX in June 2017, WQG's portfolio has increased by 13.6% to reach \$108.5 million as at 30 June 2018:

**WQG – portfolio size (\$m)**



## Industry outlook

- 52 The managed funds industry in Australia (in terms of the value of funds managed) increased by 92% over the 10 years to March 2018, from \$1.78 trillion to \$3.41 trillion, representing a CAGR of 6.7% per annum.
- 53 Several factors are expected to drive continued demand for funds management services over the coming years, such as an ageing population, increasing superannuation contributions, growing wealth and new and evolving investment products. Sustained strong share market performance and rising investor confidence are also expected to contribute to FUM growth.
- 54 Industry consolidation is expected to continue, with the growing size of superannuation funds (and associated increased regulatory requirements) likely to lead to fund management capabilities continuing to be brought in house. Economies of scale from industry consolidation and an increased focus on costs savings are expected to enable investment managers to continue lowering fees (in response to associated market pressures) without significantly affecting their profit margins.

## Financial performance

- 55 The financial performance of CGA for the three years ended 30 June 2017 (FY17) and the six months to 31 December 2017 (1HY18), is set out below:

<b>CGA – statement of financial performance<sup>(1)</sup></b>				
	<b>FY15<sup>(2)</sup></b>	<b>FY16<sup>(2)</sup></b>	<b>FY17</b>	<b>1HY18</b>
	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Reviewed</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Management fees	5,151	5,295	3,759	2,371
Other income	-	-	371	-
<b>Total revenue</b>	<b>5,151</b>	<b>5,295</b>	<b>4,130</b>	<b>2,371</b>
Employee benefits expense	(2,872)	(2,867)	(3,096)	(2,618)
Operations expense	-	-	(590)	(394)
Professional services expense	(529)	(1,006)	(514)	(404)
Corporate and administrative expenses	(745)	(976)	(3,570)	(1,950)
Share of loss of associate <sup>(3)</sup>	-	-	(25)	(10)
<b>EBITDA</b>	<b>1,006</b>	<b>447</b>	<b>(3,665)</b>	<b>(3,005)</b>
Depreciation and amortisation	(12)	(18)	(431)	(258)
<b>EBIT</b>	<b>994</b>	<b>429</b>	<b>(4,096)</b>	<b>(3,263)</b>
Non-recurring items <sup>(4)</sup>	-	-	(10,311)	(676)
Net interest income	-	-	(30)	5
<b>Profit / (loss) before tax</b>	<b>994</b>	<b>429</b>	<b>(14,437)</b>	<b>(3,934)</b>
Income tax benefit / (expense)	(295)	(140)	289	320
<b>Profit / loss after tax</b>	<b>698</b>	<b>289</b>	<b>(14,148)</b>	<b>(3,614)</b>
FUM at period end (\$m) <sup>(5)</sup>	n/a	562.0	701.1	260.2
FUM growth	n/a	n/a	24.8%	(62.9%)

**Note:**

- 1 Rounding differences may exist.
  - 2 The financial performance in FY15 and FY16 relates to the company's operations prior to the management buyout in 2016 and acquisition by Tyrian Diagnostics (a dormant company which provided CGA with a backdoor listing on the ASX).
  - 3 Relates to CGA's 46.25% interest in SAM.
  - 4 Non-recurring items relate to impairment losses in respect of goodwill and customer relationships.
  - 5 Includes pro-rate share (46.25%) of SAM's FUM.
- n/a – not available.

- 56 The financial performance of CGA has been negatively impacted in recent periods due to a number of factors including, inter alia:
- (a) higher corporate and administrative costs following the listing on the ASX in August 2016
  - (b) decrease in management fees as a result of a decline in FUM attributable to the company's change in strategic direction and decision to exit from institutional business and focus on listed and exchange traded investments targeted primarily at retail channels
  - (c) the relatively fixed cost base of the business.
- 57 In addition to the above, we note that following the sale of the investment management rights to Contango Microcap Limited, the staff headcount of CGA has reduced from 23 to 9 as at 30 June 2018. Accordingly, the historical financial performance of CGA should be viewed in light of the significant changes to the company's operations in recent periods.

## Financial position

- 58 The financial position of CGA as at 30 June 2017 and 31 December 2017 is set out below:

<b>CGA – statement of financial position</b>		
	<b>30 Jun 17</b>	<b>31 Dec 17</b>
	<b>\$000</b>	<b>\$000</b>
Debtors and prepayments	1,535	887
Creditors, accruals and provisions	(1,154)	(1,911)
<b>Net working capital</b>	381	(1,024)
Plant and equipment	220	199
Intangible assets <sup>(1)</sup>	2,882	-
Equity accounted investment <sup>(2)</sup>	347	337
Deferred tax liability	(864)	(544)
Net assets / (liabilities) associated with assets held for sale	-	(23)
<b>Total funds employed</b>	2,966	(1,055)
Cash and cash equivalents	819	4,865
Interest bearing assets / (liabilities) (net)	(256)	604
<b>Net cash</b>	563	5,469
<b>Net assets attributable to CGA shareholders</b>	<b>3,529</b>	<b>4,414</b>



**Note:**

- 1 Intangible assets related to customer relationships and were fully impaired in FY17.
- 2 Relates to CGA's 46.25% interest in SAM.

**Plant and equipment**

- 59 Plant and equipment is carried at historical cost less accumulated depreciation and impairment. CGA's plant and equipment relates to furniture, fixtures and fitting and computer equipment.

**Net cash**

- 60 A summary of CGA's net cash position is set out below:

<b>CGA – net cash</b>		
	<b>30 Jun 17</b>	<b>31 Dec 17</b>
	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	819	4,865
Other financial assets	345	345
Loan to SAM	159	259
Interest on short-term borrowings	(10)	-
Borrowings	(750)	-
<b>Net cash</b>	<b>563</b>	<b>5,469</b>

**Share capital and performance**

- 61 As at 29 June 2018, CGA had 41.9 million fully paid ordinary shares on issue. In addition the company had 0.345 million options on issue at exercise prices of \$0.60.
- 62 On 17 January 2018, CGA announced an employee share scheme buyback in respect of 5.9 million shares which were issued pursuant to the Company's Employee Loan Share Plan and Employee Incentive Plan. These shares were held by employees who had ceased or will cease employment with CGA as a result of the Company's relocation to Sydney and its change in strategic direction. The shares were bought back for \$3.5 million non-cash consideration on 18 May 2018<sup>13</sup>.

**Significant shareholders**

- 63 As at 29 June 2018, based upon substantial shareholder notices lodged with the ASX, the significant shareholders in CGA (i.e. shareholders with an interest in CGA of more than 5%) were as follows:

<b>CGA– substantial shareholders<sup>(1)</sup></b>		
<b>Shareholder</b>	<b>Shares held</b>	
	<b>Millions</b>	<b>% interest</b>
NAOS Asset Management Limited	7.8	18.5
Pacific Point Partners Limited	5.6	13.4
	<b>13.4</b>	<b>31.9</b>

<sup>13</sup> The consideration for the share buyback was the extinguishment of the respective Employee Share Incentive Plan and Employee Loan Share Plan loans that were granted for the initial acquisition of the leaver shares under such plans.

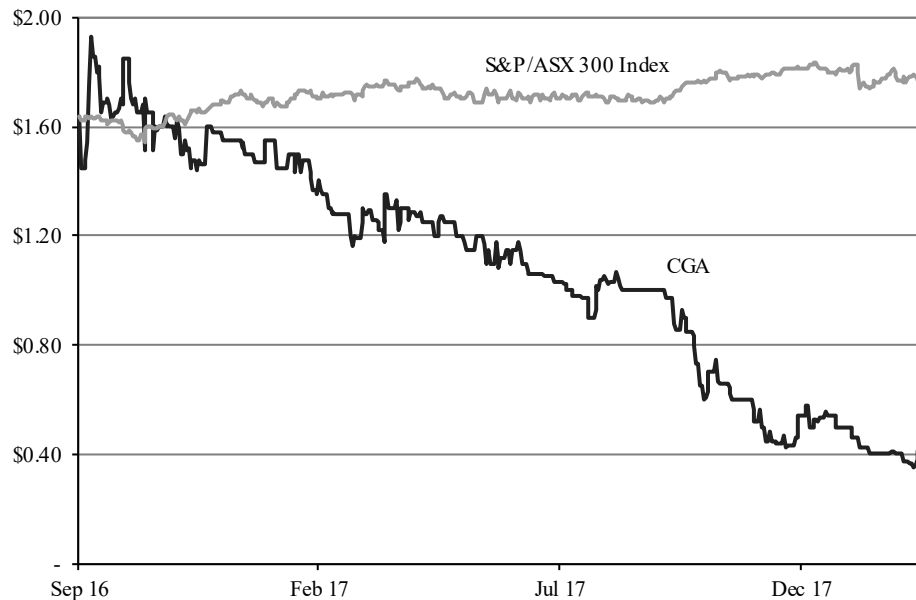


## Share price performance

64 The following chart illustrates the movement in the share price of CGA from 29 September 2016<sup>14</sup> to 20 March 2018<sup>15</sup>:

**CGA – share price history<sup>(1)</sup>**

**29 September 2016 to 20 March 2018**



**Note:**

1 Based on closing prices. The S&P/ASX 300 Index has been rebased to CGA's last traded price on 29 September 2016, being \$1.64.

2 Being the last trading day prior to the announcement of the proposed acquisition of the remaining 53.25% interest in SAM.

Source: Bloomberg.

65 As indicated in the above chart, CGA shares have significantly underperformed the S&P/ASX 300 Index since 29 September 2016<sup>16</sup>. This underperformance appears to be attributable to a number of factors including:

- (a) the poor financial performance of CGA in recent periods, with losses reported in both FY17 and 1HY18
- (b) a negative view adopted by the market in respect of the company's change in strategic direction and decision to exit from institutional business and focus on listed and exchange traded investments targeted primarily at retail channels
- (c) the associated considerable decline in FUM from approximately \$750 million in June 2017 to some \$250 million as at March 2018<sup>17</sup>
- (d) the perceived limited prospects for the business prior to the announcement of the Proposed Transaction, having regard in particular to the relatively high fixed cost base.

<sup>14</sup> Being the date securities of CGA were reinstated to official quotation.

<sup>15</sup> Being the last trading day prior to the announcement of the Proposed Transaction.

<sup>16</sup> Being the date securities of CGA were reinstated to official quotation.

<sup>17</sup> Includes 46.25% of FUM of SAM.

### Liquidity in CGA shares

- 66 The liquidity in CGA shares based on trading on the ASX over the 12 month period prior to 20 March 2018<sup>18</sup> is set out below:

<b>CGA – liquidity in shares</b>						
<b>Period</b>	<b>Start date</b>	<b>End date</b>	<b>No of shares traded 000</b>	<b>WANOS<sup>(1)</sup> outstanding 000</b>	<b>Implied level of liquidity Period<sup>(2)</sup> %</b>	<b>Annual<sup>(3)</sup> %</b>
1 month	21 Feb 18	20 Mar 18	349	47,821	0.7	8.7
3 months	21 Dec 17	20 Mar 18	1,302	47,821	2.7	10.9
6 months	21 Sep 17	20 Mar 18	4,193	47,821	8.8	17.5
1 year	21 Mar 17	20 Mar 18	13,090	45,384	28.8	28.8

**Note:**

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 67 As indicated in the above table, the implied level of liquidity in CGA shares on an annualised basis has declined in recent periods. Nevertheless, having regard to the significant shareholdings which in aggregate account for some 31.9% of the shares on issue, the free float of CGA is relatively liquid for a company of its size.

<sup>18</sup> Being the last trading day prior to the announcement of the proposed acquisition of the remaining 53.75% interest in SAM.

### III Profile of SAM

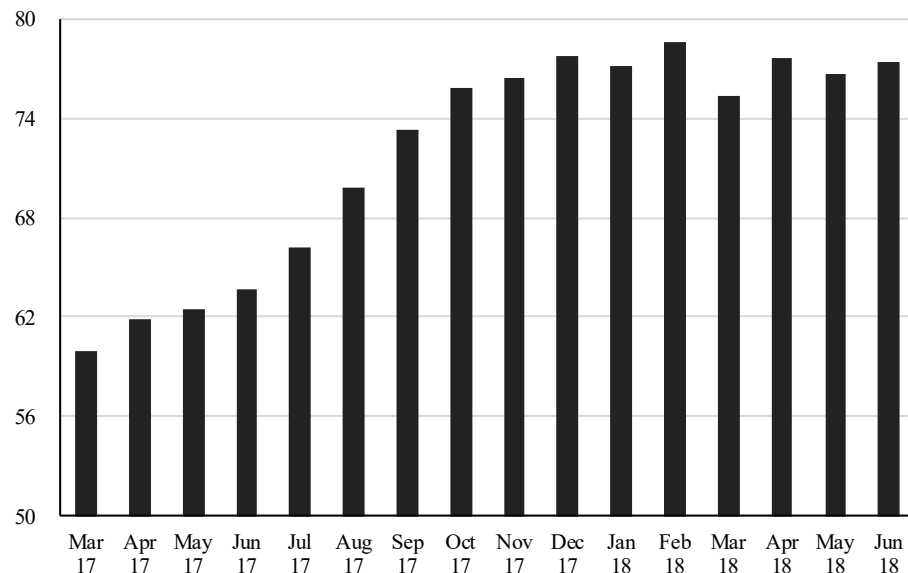
#### Overview

- 68 SAM is a boutique retail investment manager founded by CGA and the SFG with FUM of approximately \$110 million. The company is the fund manager for the Switzer Dividend Growth Fund (SWTZ) and the Halidon Yield Enhanced Fund (Halidon).

#### SWTZ

- 69 SWTZ is an ASX listed exchange traded fund that aims to provide investors with tax effective income and long-term capital growth by investing in a core portfolio of blue-chip Australian shares. Since listing on the ASX in February 2017, the size of the fund has grown by 29.2% (\$17.5 million) to reach \$77.4 million as at 30 June 2018:

**SWTZ – FUM (\$m)**



- 70 As fund manager for SWTZ, SAM is entitled to receive a management fee of 0.89% (including GST) per annum based on the total assets of the fund. No performance fees are payable to SAM under the existing management agreement.

#### Halidon

- 71 The Halidon Yield Enhanced Fund was established in 2009, with an objective to provide investors with low risk, quarterly income and a total return which is 1.5% to 2.0% greater than the Reserve Bank of Australia's overnight cash rate on a rolling 12-month basis. The fund invests in a diverse range of fixed income assets including cash, debt and hybrid securities and aims to maintain a minimum weighted average portfolio credit rating of BBB-.
- 72 As manager of the fund, SAM is entitled to receive a management fee of 0.90% (including GST) per annum based on the total assets of the fund. As at 30 June 2018 Halidon had total funds of \$32.6 million.

## Additional funds

- 73 In addition to its two existing funds, on 14 June 2018 CGA announced that SAM had plans to launch a new exchange traded managed fund WCM Quality Global Growth Fund (WCMQ) which would be managed by WCM. WCMQ is scheduled to launch in mid-2018. SAM also has plans to launch an additional two funds, however we note that these funds were less progressed as at the date of our report.

## Financial performance

- 74 The financial performance of SAM for the two years ended 30 June 2017 (FY17) and 10 months to April 2018 (YTD18), is set out below:

<b>SAM – statement of financial performance<sup>(1)</sup></b>			
	<b>FY16 Audited \$000</b>	<b>FY17 Audited \$000</b>	<b>YTD18 \$000</b>
Management fees – SWTZ	n/a	171.0	498.9
Management fees – Halidon	263.0	270.5	222.8
Total management fees	263.0	441.5	721.7
Fund administration fees <sup>(2)</sup>	(75.6)	(173.8)	(320.8)
Advertising and marketing fees	(16.6)	(9.7)	(153.7)
Professional fees	(109.1)	(310.5)	(92.6)
Staff related expenses	(75.8)	(4.7)	(3.5)
Administration expenses	(19.6)	(23.8)	(196.3) <sup>(3)</sup>
Operating expenses	(296.6)	(522.5)	(766.8)
<b>EBITDA</b>	(33.6)	(81.0)	(45.0)
Depreciation and amortisation	-	-	-
<b>EBIT</b>	(33.6)	(81.0)	(45.0)
Net interest income	4.9	4.9	7.9
<b>Profit / (loss) before tax</b>	(28.7)	(76.1)	(37.1)
Income tax benefit / (expense)	8.2	22.8	11.1
<b>Profit / (loss) after tax</b>	(20.5)	(53.3)	(26.0)
FUM – SWTZ (\$m)	na	63.7	77.6
FUM – Halidon (\$m)	30.3	32.2	32.5
FUM – total (\$m)	30.3	95.9	110.1

**Note:**

1 Rounding differences exist.

2 Comprises responsible entity management fees paid to CGA, custody fees, rebates, ASX fees, registry fees, subscriptions and audit and taxation expenses.

3 Includes \$175,000 in shared services with 2735 CSM Holdings Pty Ltd (the wholly owned subsidiary of CGA that holds its 46.25% interest in SAM).

na – not applicable, n/a – not available.

- 75 In respect of the financial performance above we note:

- (a) management fees have increased significantly in recent periods due to the launch of SWTZ in early 2017 which significantly increased the FUM of SAM

- (b) SAM does not have any employees and has entered into an agreement with CGA to utilise its employees and other services for a fixed fee. The agreed rate for the FY17 and FY18 years was \$60,000 and \$210,000 respectively
- (c) despite generating significantly higher management fees, SAM has generated a net loss since FY16 due to the increase in costs associated with SWTZ (i.e. fund administration costs, advertising etc.).

## Financial position

76 The financial position of SAM as at 30 June 2017 and 30 April 2018 is set out below:

<b>SAM – statement of financial position<sup>(1)</sup></b>		
	<b>30 Jun 17</b>	<b>30 Apr 18</b>
	<b>\$000</b>	<b>\$000</b>
Debtors and prepayments	217.9	110.2
Creditors, accruals and provisions	(85.7)	(229.0)
<b>Net working capital</b>	132.3	(118.8)
Deferred tax assets	31.0	42.2
<b>Total funds employed</b>	163.3	(76.6)
Cash and cash equivalents	412.0	825.9
Loans from shareholders	(318.9)	(518.9)
<b>Net cash</b>	93.0	307.0
<b>Net assets attributable to SAM shareholders</b>	256.3	230.4

**Note:**

1 Rounding differences exist.

## Net cash

77 A summary of SAM's net cash position is set out below:

<b>SAM – net cash<sup>(1)</sup></b>		
	<b>30 Jun 17</b>	<b>30 Apr 18</b>
	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	412.0	825.9
Loan from SFG	(159.5)	(259.5)
Loan from 2735 CSM Holdings Pty Ltd	(159.5)	(259.5)
<b>Net cash</b>	93.0	307.0

**Note:**

1 Rounding differences exist.

- 78 SAM's two major shareholders (SFG and 2735 CSM Holdings Pty Ltd<sup>19</sup>) have entered into a Deed of Subordination on identical terms pursuant to which each shareholder has lent \$0.26 million to the company. The loans commenced on 19 December 2017 and mature in 10 years on 19 December 2027. The applicable rate of interest is nil and the default rate is 90 Day Bank Bill Swap Rate plus 3%.

## Share capital

- 79 As at 29 June 2018, SAM had 2.6 million shares on issue. The shareholders in SAM are set out in the table below:

<b>SAM – shareholders<sup>(1)</sup></b>		
<b>Shareholder</b>	<b>Shares held (million)</b>	<b>% total</b>
Switzer Financial Group	1.203	46.25
2735 CSM Holdings Pty Ltd <sup>(2)</sup>	1.203	46.25
Tao Te	0.195	7.50
	<u>2.600</u>	<u>100.00</u>

**Note:**

- 1 Rounding differences exist.
- 2 2735 CSM Holdings Pty Ltd is a wholly owned subsidiary of CGA.

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<sup>19</sup> A wholly owned subsidiary of CGA.

## **IV Valuation of CGA prior to the Proposed Transaction**

### **Valuation methodology**

- 80 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 81 As set out in Section II, as at 30 June 2018, CGA had total FUM of \$209.4 million<sup>20</sup> from its two managed LICs, comprising:
- (a) CIE – FUM \$100.9 million; and
  - (b) WQG – FUM \$108.5 million.
- 82 Based on this level of FUM, CGA would generate base management fee income of approximately \$1.5 million on an annual basis<sup>21</sup>. In addition, CGA is not entitled to any performance fee on either of these funds<sup>22</sup>.
- 83 Despite reducing the staff headcount from 23 to nine as at 30 June 2018 (following the sale of the investment management rights to Contango Microcap Limited), operating costs still significantly exceed base management fee income and other income. As a result, it is not appropriate to use the capitalisation of earnings method to value CGA.
- 84 Accordingly, in order to assess the (minority interest or portfolio) value of CGA shares prior to the Proposed Transaction we have considered the following:
- (a) the listed market price of CGA shares prior to the announcement of the Proposed Transaction on 21 March 2018

<sup>20</sup> This FUM figure does not include CGA's proportionate share of FUM from its 46.25% current interest in SAM.

<sup>21</sup> Being CIE FUM of \$101.2 million at 0.95% plus WQG FUM of \$106.3 million at 0.5%.

<sup>22</sup> Whilst performance fees are payable on the WQG fund (subject to performance relative to a benchmark), any performance fees earned are required to be paid to the external adviser (not CGA).

- (b) the value of CGA shares as a percentage of FUM (which is a common methodology used to assess the value of funds management businesses)
- (c) the DCF methodology.

## Listed market prices

- 85 We set out below the volume weighted average market price (VWAP) and trading range of CGA shares for selected periods prior to the announcement of the Proposed Transaction:

CGA – recent trading range prior to the Proposed Transaction					
Period	High \$	Low \$	VWAP \$	Value \$000	Volume 000
1 month	0.45	0.35	0.38	133	349
2 months	0.54	0.35	0.41	438	1,065
3 months	0.58	0.35	0.43	560	1,302
From 21 Oct 2017 to 20 Mar 2018	0.83	0.35	0.52	2,151	4,141

- 86 As noted above, the CGA share price has been declining since the announcement on 20 October 2017 that CGA had entered into an agreement to assign its investment management mandate of Contango Microcap Limited to NAOS Asset Management Limited for up to \$12.5 million. In the most recent three-month period prior to the announcement of the Proposed Transaction the CGA share price generally traded around \$0.40 per share.
- 87 Based on the share market trading over this period we have therefore adopted the following minority interest value for CGA shares:

Value of CGA shares based on recent trading prior to the Proposed Transaction		
	Low	High
Share price (cents)	37.0	43.0
Shares on issue (m)	41.9	41.9
Market capitalisation (\$m)	15.5	18.0

## Value as a percentage of FUM

### CGA value as a percentage of FUM

- 88 As stated above, CGA had FUM of \$209.4 million from its two managed LICs. In addition (prior to the Proposed Transaction) CGA held 46.25% of SAM, which had approximately \$110 million in FUM. Thus the total level of FUM attributable to CGA is as follows:

CGA – FUM (including share of SAM FUM) <sup>(1)</sup>	
	\$m
CIE	100.9
WQG	108.5
Share of SAM FUM	50.9
Total FUM	260.2

**Note:**

- 1 Rounding differences exist.



- 89 The above listed market prices for CGA therefore imply the following values as a percentage of FUM:

<b>CGA – value as a percentage of FUM</b>		
	<b>Low</b>	<b>High</b>
Listed market value (\$m)	15.5	18.0
Less surplus asset <sup>(1)</sup> (\$m)	(6.0)	(6.0)
Value excluding surplus assets	9.5	12.0
FUM (\$m)	260.2	260.2
<b>Implied value (excluding surplus asset) / FUM</b>	<b>3.7%</b>	<b>4.6%</b>

**Note:**

- 1 For the purposes of our calculation, we have treated the present value of the deferred consideration payable to CGA from the sale of the investment management rights to Contango Microcap Limited as a surplus asset. The deferred consideration totalled \$7.5 million. Of this amount, \$860,000 was received on 21 February 2018, with the balance payable in annual instalments of \$1.66 million on 30 June 2019 to 30 June 2022. Furthermore, as at 30 April 2018, CGA held net cash of \$7.4 million. However as CGA is currently loss making we consider the majority of this cash would be required for business operational purposes (inter alia) to be invested in order to grow FUM and achieve profitability. For valuation purposes, we therefore consider CGA to have surplus assets of some \$6.0 million.

**Listed company values / FUM**

- 90 We set out below the values as a percentage of FUM implied by the share prices of other ASX listed fund managers. For the purposes of this table we have excluded listed fund managers with market capitalisations of more than \$1 billion given the small size of CGA:

<b>Listed company multiples</b>					
	<b>Market cap<sup>(1)</sup></b>	<b>EV<sup>(2)</sup></b>	<b>FUM</b>	<b>Market cap / FUM</b>	<b>EV / FUM</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>	<b>%</b>	<b>%</b>
Pinnacle Investment Management Group	918	911	35,700	2.6	2.6
Pengana Capital	366	348	3,503	10.4	9.9
Pacific Current	321	228	26,272	1.2	0.9
Australian Ethical	148	136	2,660	5.6	5.1
K2	37	27	414	9.0	6.5
Clime Investment	27	23	833	3.3	2.7
<b>Average</b>				<b>5.3</b>	<b>4.6</b>
<b>Median</b>				<b>4.4</b>	<b>3.9</b>

**Note:**

- 1 As at 25 June 2018.  
2 Enterprise value (EV).

## Transaction evidence

- 91 Recent transaction evidence involving the acquisitions of interests in small fund managers is also set out below:

Transaction multiples					
Date <sup>(1)</sup>	Target	Acquirer	Price \$m	Interest acquired %	Price/FUM %
Feb 18	Airlie Funds Management	Magellan Financial Group	121.1	100.0	2.0
Feb 18	EAM Global Investors LLC	EAM Global Management / Pacific Current Group	3.8	15.0	2.1
Oct 17	Contango Microcap Ltd	NOAS Asset Management	10.8 <sup>(2)</sup>	100.0	6.0
Jul 17	CBG Asset Management Ltd	Clime Investment Management Limited	3.1	100.0	2.4
May 17	Armada Funds Management Pty Ltd	Moelis Australia Ltd	29.6	100.0	3.7
Mar 17	Pengana Holdings Pty Ltd	Hunter Hall Limited	216.6	100.0	10.1
Mar 16	Hunter Hall Pty Ltd	Washington H Soul Pattinson	71.1	100.0 <sup>(5)</sup>	4.9 <sup>(6)</sup>
Nov 16	Unnamed entity <sup>(3)</sup>	Unnamed entity <sup>(3)</sup>	23.7	37.0	3.0
Oct 16	Raven Capital Management <sup>(4)</sup>	Josh Green	8.6	25.0	4.6
Jun 16	Contango Funds Management Limited	Contango Asset Management Limited	13.0	100.0	1.9
May 16	Pinnacle Investment Management Limited	Wilson Group Limited	35.9	25.0	1.7
Apr 16	Octis Asset Management Pte. Ltd	Jerome Ferracci	0.2	20.0	4.4
Dec 15	Aperio Group LLC	Pacific Current Group Ltd	43.1	23.4	1.0
Jul 15	Rare Infrastructure <sup>(4)</sup>	Legg Mason	112.0	30.0	3.8
Jul 15	Kapstream Capital Pty Ltd	Janus Capital Group Inc.	45.0	25.0	2.1
Jun 15	Perennial Fixed Interest Partners / Perennial Growth Management Pty Ltd	Henderson Group PLC	72.5	100.0	0.7

**Note:**

- 1 Date of announcement.
- 2 Consideration based on mid-point of independent expert's valuation of consideration.
- 3 Due to confidentiality, the name of the target and acquirer cannot be disclosed.
- 4 Based on upfront consideration only, and excludes potential earn-out based on future FUM growth.
- 5 This takeover offer was not successful, and was superseded by the announced merger of Pengana Holdings Pty Limited and Hunter Hall Limited.
- 6 Price / FUM based on market capitalisation less net cash and surplus assets.

## Conclusion based on FUM approach

- 92 Based on the above, we note that CGA was trading on implied values as a percentage of FUM at the top end of those implied from the share market trading in other smaller fund managers and recent transaction evidence.
- 93 However, it should be noted that value as percentage of FUM is only a broad indicator of value, and can vary widely depending on a range of factors (including, for example, underlying profitability, length of management agreements and expected future growth in FUM etc.). In this regard, we note that:

- (a) CGA is currently unprofitable
- (b) CGA's management agreements with CIE can be terminated if the shareholders pass an ordinarily resolution to do so
- (c) CGA's management agreement with WQG can be terminated by a shareholder resolution after the initial 10 year term
- (d) CGA does not have any current plans to launch any additional managed funds at this time.

94 We also note that the CGA funds management business was acquired in 2016 for \$13.0 million in cash (which is less than the market capitalisation of CGA in the three months prior to the announcement of the Proposed Transaction as noted in paragraph 87 above). Further, at the date of the 2016 acquisition CGA had FUM of in excess of \$600 million (being significantly more than the current position outlined above).

### DCF analysis

95 We have also undertaken a DCF valuation of CGA's funds management business. The DCF valuation was undertaken on a standalone basis (specifically excluding potential merger synergies), and the following key assumptions<sup>23</sup> were adopted in our Base Case DCF valuation:

Key assumptions (Base Case)	
Net inflows	<ul style="list-style-type: none"> <li>WQG is assumed to raise \$100 million in June 2019 from the exercise of options currently on issue</li> <li>CIE and WQG raise \$15 million and \$30 million respectively in new capital every three years (or raise a similar amount for a new fund)</li> </ul>
Investment returns	<ul style="list-style-type: none"> <li>Both the CIE and WQG funds are assumed to generate total investment returns of 9% per annum</li> <li>CIE will distribute 6.5% of its net assets each year as a distribution (consistent with the stated dividend policy in its IPO prospectus). This will reduce the growth in FUM from investment returns to around 1.5% per annum after base management fees (being 9% less 6.5% less 0.95%)</li> <li>The dividend yield on WQG is assumed to be only 2.0% due to its focus on international shares</li> </ul>
Other income	<ul style="list-style-type: none"> <li>Other income (e.g. cost reimbursements from CIE, WQG and SAM) will increase at 2.0% per annum (consistent with inflation)</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>Operating expenses of some \$3.4 million (which reflect the impact of recent staff reductions) increase at 2.0% per annum (consistent with inflation)</li> </ul>
Discount rate	<ul style="list-style-type: none"> <li>10.7% per annum, reflecting a (normalised) risk free rate of 3.5% per annum, a market risk premium of 6% and a beta of 1.2 (which is broadly consistent with the betas for ASX listed fund managers)</li> </ul>
Terminal value growth rate	<ul style="list-style-type: none"> <li>At the end of the 10 year forecast period, earnings growth in perpetuity of 3% per annum is adopted</li> </ul>

<sup>23</sup> These assumptions (which we consider to be reasonable) were adopted by LEA for valuation purposes only. The related underlying cash flows do not reflect a forecast of future CGA performance.

- 96 Due to the high level of operating costs currently incurred by CGA on a standalone basis (and relatively low level of FUM), our Base Case DCF analysis indicates that the CGA business does not have any significant value (prior to taking into account surplus assets).
- 97 However, we also note that the Base Case DCF value is significantly less than the value implied by recent trading in CGA shares prior to the announcement of the Proposed Transaction.<sup>24</sup> We attribute this significant difference to:
- (a) the high level of operating costs currently incurred by CGA on a standalone basis (and relatively low level of FUM), which is reflected in our DCF value
  - (b) the higher value of CGA to a potential acquirer in the funds management industry, as such an acquirer is likely to be able to generate significant cost savings from combining the businesses (which, in our view, is reflected in the listed market price and high value / FUM multiples).

## Conclusion

- 98 As funds management businesses have a high level of fixed costs, the merger of two fund managers can significantly improve profitability due (inter-alia) to the realisation of cost synergies.<sup>25</sup>
- 99 In such circumstances it is not uncommon for small fund managers to trade at a premium to their standalone DCF values. Consequently, for the purposes of this report we have adopted a (minority interest) value for CGA shares prior to implementation of the Proposed Transaction of between \$0.37 and \$0.43 per share (consistent with the recent trading range in the three months prior to the announcement of the Proposed Transaction).

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<sup>24</sup> A DCF value equivalent to the value implied by share market trading would require (inter-alia) growth in FUM of some \$183 million above that reflected in the Base Case DCF valuation (which is substantially greater than what we would consider reasonable / achievable in the short to medium term).

<sup>25</sup> For example, the merger of Hunter Hall and Pengana Holdings in 2017 generated significant synergies and value for the shareholders in both companies.

## V Valuation of SAM

### Consideration payable

- 100 Pursuant to the Proposed Transaction, CGA will acquire the remaining 53.75% interest in SAM, and will issue 7,166,667 CGA shares as consideration.
- 101 Based on the listed market value of CGA shares prior to the announcement of the Proposed Transaction, which we have adopted as reasonably representative of the value of a portfolio interest in CGA for the purpose of this report (refer Section IV), the value of the consideration to be paid by CGA is as follows:

Value of consideration to be paid by CGA		
	Low	High
CGA shares to be issued	7,166,667	7,166,667
CGA share price range (cents)	37.0	43.0
Value of consideration (\$000)	2,652	3,082

### Value as a percentage of FUM

- 102 As at 30 June 2018, SAM had FUM of approximately \$110 million. In addition, on 14 June 2018 (in an ASX announcement by CGA) CGA announced that SAM proposed to launch a new exchange traded managed fund WCMQ to be managed by Californian-based WCM. WCM also manages the underlying portfolio of WQG for CGA.
- 103 Similar to the WQG fund, we understand that base management fees from WCMQ will be shared between SAM and WCM. However, SAM will also receive 10% of any performance fee entitlement.<sup>26</sup>
- 104 Whilst SAM is also intending to launch two other new funds, plans for these other new funds are less advanced than for the WCMQ.
- 105 As the amount to be raised for the WCMQ is uncertain, we have set out below the value of the consideration to be paid by CGA for 53.75% of SAM as a percentage of SAM's FUM excluding any contribution from the WCMQ:

Value of consideration as a percentage of FUM		
	Low \$000	High \$000
Value of consideration (pre Proposed Transaction)	2,652	3,082
53.75% of FUM <sup>(1)</sup>	59,125	59,125
Value / FUM <sup>(2)</sup>	4.5%	5.2%

**Note:**

- 1 Being \$110 million multiplied by 53.75% (being the interest to be acquired in SAM).
- 2 The above value as a percentage of FUM would be lower if the potential FUM from the WCMQ was included.

<sup>26</sup> In contrast, all performance fee entitlements in relation to WQG accrue to WCM.

- 106 As stated in Section IV, value as a percentage of FUM is only a broad indicator of value, and can vary widely depending on a range of factors (including, for example, underlying profitability, length of management agreements and expected future growth in FUM).
- 107 We note that the value of SAM implied by the consideration payable as a percentage of FUM is higher than the same metric for CGA as shown below:

<b>Comparative value as a percentage of FUM</b>			
	<b>Paragraph</b>	<b>Low %</b>	<b>High %</b>
Value of SAM implied by consideration	105	4.5	5.2
Value of CGA prior to Proposed Transaction	89	3.7	4.6

- 108 In our opinion the higher value for SAM as a percentage of FUM is appropriate for the following reasons:
- (a) SAM has a higher expected growth in FUM, due to (for example) the expected launch of the WCMQ and the public profile of Mr Peter Switzer
  - (b) SAM is closer to achieving profitability than CGA, due to its lower fixed cost base
  - (c) SAM's two existing funds are managed funds rather than LICs. Whilst CGA's managed LICs have struggled to grow FUM due to (inter-alia) the dilutionary impact on investors of raising new capital at a discount to underlying NTA, SAM's SWTZ has increased FUM from \$60 million at March 2017 to around \$77 million as at June 2018 through (in part) the issue of new units in the fund.
- 109 Given the above, we would therefore expect SAM to trade on higher values as a percentage of FUM than CGA.

## **DCF analysis**

- 110 We have also undertaken a DCF valuation of SAM's funds management business. The DCF valuation was undertaken on a standalone basis (specifically excluding potential merger synergies), and the following key assumptions<sup>27</sup> were adopted in our Base Case DCF valuation:

<sup>27</sup> These assumptions (which we consider to be reasonable) were adopted by LEA for valuation purposes only. The related underlying cash flows do not reflect a forecast of future SAM performance.

### Key assumptions (Base Case)

Net inflows	<ul style="list-style-type: none"> <li>• Our Base Case DCF assumes that SAM launches the WCMQ towards the end of the 2018 calendar year, raising \$125 million</li> <li>• Net inflows into SWTZ are assumed to be \$1 million per annum. Whilst the historical net inflows into the SWTZ fund since inception have been around \$17 million, net inflows into SWTZ have been relatively flat over the last six months to 30 June 2018.</li> <li>• No net inflows have been assumed for Halidon</li> </ul>
Investment returns	<ul style="list-style-type: none"> <li>• We have assumed a total investment return of 9% per annum on the WCMQ and SWTZ funds, and a total investment return on the Halidon fund of 3.85% per annum (being the yield to maturity at the date of our analysis)</li> <li>• The investment return on the Halidon fund after base management fees and dividends is not expected to be material</li> <li>• The investment return on the SWTZ fund after base management fees and dividends is assumed to be around 1.5% per annum</li> <li>• The investment return on the WCMQ fund (which is planned to be an international equities fund) after base management fees and dividends is assumed to be around 5.75% per annum (this is higher than the SWTZ fund due to the lower dividend yield)</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Operating expenses increase at 2.0% per annum (consistent with inflation)</li> </ul>
Discount rate	<ul style="list-style-type: none"> <li>• 10.7% per annum, reflecting a (normalised) risk free rate of 3.5% per annum, a market risk premium of 6% and a beta of 1.2 (which is broadly consistent with the betas for ASX listed fund managers)</li> </ul>
Terminal value growth rate	<ul style="list-style-type: none"> <li>• At the end of the 10 year forecast period, earnings growth in perpetuity of 3% per annum is adopted</li> </ul>

111 We note that the adoption of the above assumptions gives rise to a Base Case DCF value for SAM of around \$2.5 million (implying a standalone pro-rata value of \$1.3 million for a 53.75% interest). This is lower than the value implied by the Proposed Transaction<sup>28</sup>. However, due to the matters raised in paragraphs 98 and 99, we believe that the standalone DCF values are unlikely to reflect the market value of the business to a purchaser with an existing funds management operation (due to their ability to generate synergies).

112 We also note that the large majority of the DCF base case value arises due to the high incremental value from the launch of the WCMQ (reflecting the incremental benefit of the higher FUM over the relatively fixed cost base). Whilst this incremental value could be risk adjusted (due to the uncertainty associated with the level of FUM likely to be raised), we also note that SAM is intending to launch another two funds over the next 12 to 24 months.

<sup>28</sup> A DCF value equivalent to the value implied by the Proposed Transaction would require (inter-alia) growth in FUM of some \$35 million above that assumed in the Base Case DCF valuation.

## **Conclusion**

- 113 As noted above, the consideration payable for the 53.75% interest in SAM being acquired implies a value for this interest of \$2.7 million to \$3.1 million.
- 114 We consider that (for the purpose of this report) this reasonably reflects the value of this interest, based on our analysis of the implied percentage of FUM and the underlying cash flows assumptions required to support this value.



## VI Evaluation of the Proposed Transaction

### Summary of opinion

115 In LEA's opinion the Proposed Transaction is fair and reasonable to the shareholders of CGA. We have arrived at this conclusion for the reasons set out below.

### Assessment of fairness

116 Pursuant to ASIC RG 111, the Proposed Transaction is "fair" if:

*"... the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer."*

117 In circumstances such as the Proposed Transaction, where the consideration payable comprises wholly of scrip, we consider a relative value comparison to be more appropriate than a comparison of absolute value. We have therefore considered:

- (a) a comparison based on share market trading and value as a percentage of FUM; and
- (b) a comparison based on the respective DCF values of both businesses.

### Comparison based on share trading / value as a percentage of FUM

118 As noted in Section IV, CGA was trading around 40 cents per share prior to the announcement of the Proposed Transaction. In order for this value to be maintained following implementation of the Proposed Transaction the value of SAM as a percentage of FUM needs to be no less than 4.85% of SAM's FUM as at 30 June 2018, as shown below:

	CGA pre transaction \$m	Acquisition of 53.75% of SAM \$m	CGA post transaction \$m
FUM	260.3 <sup>(1)</sup>	59.1 <sup>(2)</sup>	319.4
Value per FUM (%)	4.1 <sup>(3)</sup>	4.85 <sup>(4)</sup>	4.3%
Business value	10.75	2.87	13.62
Surplus assets	6.00 <sup>(5)</sup>	-	6.00
Equity value	16.75 <sup>(6)</sup>	2.87	19.62
Shares on issue	41.9	7.2	49.1
Value per share	\$0.40		\$0.40

#### Note:

- 1 Includes pro-rata share (46.25%) of SAM's FUM as at 30 June 2018 of \$110 million.
- 2 Being 53.75% of SAM's FUM as at 30 June 2018 of \$110 million.
- 3 Refer paragraph 89. Mid-point value.
- 4 Refer paragraph 105. Mid-point value.
- 5 Refer paragraph 89.
- 6 Mid-point of \$15.5 million to \$18.0 million range based on pre-transaction share pricing trading.

119 As shown above, CGA's share price prior to the announcement of the Proposed Transaction implies a value for the CGA business equal to 4.1% of FUM. In comparison, the consideration to be paid for the remaining 53.75% interest in SAM (being 7,166,667 CGA shares) implies a value for SAM equal to 4.85% of SAM's FUM as at 30 June 2018.

120 CGA is therefore paying a higher value for SAM on a value as a percentage of FUM basis than implied by CGA share trading prior to the announcement of the Proposed Transaction. If both businesses were directly comparable this would indicate, prima facie, that the Proposed Transaction was not fair. However, in our view, the businesses are not directly comparable and it is appropriate to attribute a higher value as a percentage of FUM to SAM because:

- (a) SAM has a higher expected growth in FUM, due to (for example) the expected launch of the WCMQ fund and the public profile of Mr Peter Switzer. As noted in Section V, since 30 June 2018 SAM has launched a new exchange traded managed fund (WCMQ). Whilst the offer for units in WCMQ does not close until 22 August 2018 (and the amount raised under the offer is therefore uncertain) we note that SAM only has to raise around \$20 million<sup>29</sup> for the WCMQ fund in order to reduce the value of the consideration being paid for SAM as a percentage of FUM to 4.1% (consistent with the value implied by CGA prior to the announcement of the Proposed Transaction)
- (b) SAM is closer to achieving profitability than CGA, due to its lower fixed cost base
- (c) SAM's two existing funds are managed funds rather than LICs. Whilst CGA's managed LICs have struggled to grow FUM due to (inter-alia) the dilutionary impact on investors of raising new capital at a discount to underlying NTA, SAM's Switzer Dividend Growth Fund (SWTZ) has increased FUM from \$60 million at March 2017 to around \$77 million as at June 2018 through (in part) the issue of new units in the fund.

121 Accordingly, based on a value as a percentage of FUM comparison, in our opinion, the Proposed Transaction is fair.

### ***DCF analysis***

122 The DCF value of each business is highly sensitive to FUM growth assumptions. In our view, the value attributed to SAM under the Proposed Transaction can be more easily supported on a DCF basis than CGA. This is because:

- (a) a DCF value for SAM equivalent to the value implied by the Proposed Transaction (refer paragraph 101) would only require (inter-alia) growth in FUM of some \$35 million above that assumed in the Base Case DCF valuation
- (b) in comparison, a DCF value for CGA equivalent to the value implied by share market trading prior to the announcement of the Proposed Transaction (around 40 cents per share) would require (inter-alia) growth in FUM of some \$183 million above that reflected in the Base Case DCF valuation of some \$209.4 million as at 30 June 2018. This is substantially greater than what we would consider reasonable / achievable in the short to medium term given the comments in paragraph 120(c).

123 We set out below a comparison of the value of CGA shares before and after implementation of the Proposed Transaction based on our Base Case DCF valuations of CGA and SAM's businesses:

<sup>29</sup> SAM management currently expect to raise funds significantly in excess of \$20 million.

**Value comparison based on Base Case DCF values**

	<b>CGA pre transaction</b>	<b>Acquisition of 53.75% of SAM</b>	<b>CGA post transaction</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
Value of CGA funds management business	(1.3) <sup>(1)</sup>	-	(1.3)
Value of SAM	1.2 <sup>(2)</sup>	1.3 <sup>(3)</sup>	2.5
Surplus assets	6.0 <sup>(4)</sup>	-	6.0
Equity value	5.9	1.3	7.2
Shares on issue	41.9	7.2	49.1
Value per share <sup>(5)</sup>	\$0.141		\$0.147

**Note:**

- 1 Refer paragraph 96.
- 2 46.25% of \$2.5 million (refer paragraph 111).
- 3 53.75% of \$2.5 million (refer paragraph 111).
- 4 Refer paragraph 89.
- 5 We note that the Base Case DCF value is significantly less than the value implied by recent trading in CGA shares prior to the announcement of the Proposed Transaction. We attribute this significant difference to:
  - (a) the high level of operating costs currently incurred by CGA on a standalone basis (and relatively low level of FUM), which is reflected in our DCF value
  - (b) the higher value of CGA to a potential acquirer in the funds management industry, as such an acquirer is likely to be able to generate significant cost savings from combining the businesses (which, in our view, is reflected in the listed market price and value / FUM multiples).

124 As shown above, our Base Case DCF analysis indicates that the value of CGA shares is enhanced as a result of the Proposed Transaction.

125 Thus, in our view, the Proposed Transaction is also fair to CGA shareholders when assessed based on relative DCF values.

**Assessment of reasonableness**

126 Pursuant to RG 111, the Proposed Transaction is reasonable if it is fair. Consequently, we have concluded that the Proposed Transaction is both fair and reasonable.

**Other matters**

127 There are also advantages and disadvantages associated with the Proposed Transaction which we consider relevant to a CGA shareholder approval decision.

**Share market trading subsequent to announcement**

128 In the period subsequent to the announcement of the Proposed Transaction on 21 March 2018 to 27 July 2018, shares in CGA have traded in the range of \$0.48 per share to \$0.70 per share, with a VWAP of \$0.59 per share. Approximately 4.4 million shares have traded, representing 28.3% of the issued capital of CGA on an annualised basis.

129 The prices at which CGA shares have traded in this period significantly exceed the price of around \$0.40 per share at which CGA shares traded prior to 21 March 2018.

130 Based on ASX trading therefore, the position of CGA shareholders has been significantly enhanced as a result (prima facie) of anticipation of the announced transaction being completed.

### **Intangible benefits**

- 131 In addition to our assessed favourable valuation metrics of the Proposed Transaction, CGA management have identified the following intangible benefits associated with the Proposed Transaction, which we consider could reasonably be expected to lead to improved financial performance (and hence share market value appreciation) over the medium term:
- (a) pursuant to the Proposed Transaction, CGA will acquire a retail licence, enabling it to launch retail-backed investment funds
  - (b) the Proposed Transaction extends CGA's ability to use the Switzer name, a well recognised and respected brand in the retail investment market
  - (c) the Proposed Transaction strengthens the Company's access to a large range of retail and independent financial advisor relationships developed by SFG
  - (d) the Proposed Transaction increases CGA's financial interest in the most rapidly expanding part of its business and SAM's pipeline of new funds.

### **Dilution**

- 132 The consideration for the proposed acquisition of the remaining 53.75% interest in SAM comprises shares in CGA representing approximately 17% of the existing shares on issue in CGA. If the Proposed Transaction is approved, the interests of CGA shareholders will therefore be diluted.

## **Appendix A**

### **Financial Services Guide**

#### **Lonergan Edwards & Associates Limited**

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

#### **Financial Services Guide**

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting to be sent to CGA shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### **Financial services we are licensed to provide**

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

#### **General financial product advice**

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### **Fees, commissions and other benefits we may receive**

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$55,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

## **Appendix A**

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### **Complaints**

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

### **Contact details**

- 14 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 24 years and 32 years experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Independent Directors of CGA to accompany the Notice of Meeting to be sent to CGA shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable and in the best interests of CGA shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, CGA agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of CGA which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.

## Appendix C

### Glossary

Abbreviation	Definition
1HY18	Six months to 31 December 2017
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
CFML	Contango Funds Management Limited
CGA	Contango Asset Management Limited
CIE	Contango Income Generator Limited
CIML	Contango International Management Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EV	Enterprise value
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
GST	Goods and services tax
Halidon	Halidon Yield Enhanced Fund
IER	Independent expert's report
IMA	Investment Management Agreement
IPO	Initial public offering
LEA	LonerGAN Edwards & Associates Limited
LIC	Listed investment company
Proposed Transaction	CGA proposes to acquire the remaining 53.75% interest in SAM to which it is currently not entitled, the consideration for which will comprise the issue of new shares in CGA
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
SAM	Switzer Asset Management Limited
SFG	Switzer Financial Group Pty Ltd
SWTZ	Switzer Dividend Growth Fund
Tao Te	Tao Te Pty Ltd
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding
WCM	WCM Investment Management
WCMQ	WCM Quality Global Growth Fund
WQG	WCM Global Growth Limited



## LODGE YOUR VOTE

 **ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

 **BY MAIL**  
Contango Asset Management Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474

## PROXY FORM

I/We being a member(s) of Contango Asset Management Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **2:00pm on Wednesday, 12 September 2018 at Taylor Collison, Level 10, 167 Macquarie Street, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

#### Resolutions

- 1** Acquisition of remaining shares in Switzer Asset Management Limited in exchange for the issue of shares in Company

For Against Abstain\*

☐ ☐ ☐



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **2:00pm on Monday, 10 September 2018**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

#### QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



#### BY MAIL

Contango Asset Management Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**