

# Notice of Meeting and Explanatory Statement

Contango Income Generator Limited

ASX:CIE | ACN 160 959 991

**Date:** Wednesday, 14 July 2021

**Time:** 10 am AEST

**Location:** The Meeting will be an electronic Meeting, held as a virtual Meeting at <https://agmlive.link/CIEEGM2>

**THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE SELECTIVE BUY-BACK IS NOT FAIR BUT REASONABLE**

## Key Dates

Latest time and date for lodgment of completed Proxy Form	<b>10 am AEST, 12 July 2021</b>
Time and date for determining eligibility to vote at Meeting	<b>7 pm AEST, 12 July 2021</b>
Time and date of Meeting	<b>10 am AEST, 14 July 2021</b>

15 June 2021

Dear Shareholder,

The Directors of Contango Income Generator Limited (**CIE** or the **Company**) are pleased to invite you to participate in an Extraordinary General Meeting (**Meeting**) of the Company.

The business of the Meeting will be to:

1. change the Company name from "Contango Income Generator Limited" to "WCM Global Long Short Limited"; and
2. conduct a selective buy-back of all of the Company's fully paid ordinary Shares (each, a **Share**) held by WAM Capital Limited (**WAM**) (**Selective Buy-Back**).

**The Directors unanimously recommend that you vote in FAVOUR of the resolutions.**

**The Independent Expert has concluded that the Selective Buy-Back is not fair but reasonable.**

#### **Change of Company Name to WCM Global Long Short Limited**

On 18 September 2020, the Company's Shareholders approved a resolution to adopt a new strategy for its investment portfolio, moving to a global long short strategy managed by California-based WCM Investment Management (**WCM**). The Board is now proposing a special resolution to change CIE's name to WCM Global Long Short Limited.

The new investment strategy, known as the WCM Quality Global Growth Long Short Strategy<sup>1</sup>, is a new offering in Australia.

The name "WCM Global Long Short Limited" was chosen by the Company because:

1. this change of name will better reflect the underlying investment portfolio of the Company;
2. Shareholders have strongly endorsed the move to the WCM Quality Global Growth Long Short Strategy; and
3. the name change should increase the Company's relevance in the marketplace under the WCM brand and lift the profile of the Company.

#### **WCM Quality Global Growth Long Short Strategy**

WCM is a top quartile global and international equities specialist with total funds under management (**FUM**) of over A\$114 billion<sup>2</sup>. Based in Laguna Beach, California, WCM's investment process is based on the belief that corporate culture is the biggest influence on a company's ability to grow its competitive advantage or 'moat'.

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<sup>1</sup> WCM manages the strategy of the CIE portfolio according to the same investment principles, philosophy and execution of approach as those used for the WCM Quality Global Growth Long Short Strategy Composite, however it should be noted that due to certain factors including, but not limited to, differences in cash flows, fees, expenses, performance calculation methods, and portfolio sizes and composition, there may be variances between the investment returns demonstrated by the portfolio in the future. For comparison purposes, the WCM Quality Global Growth Long Short Strategy Composite is measured against the MSCI All Country World (ACWI) Index (\$AUD).

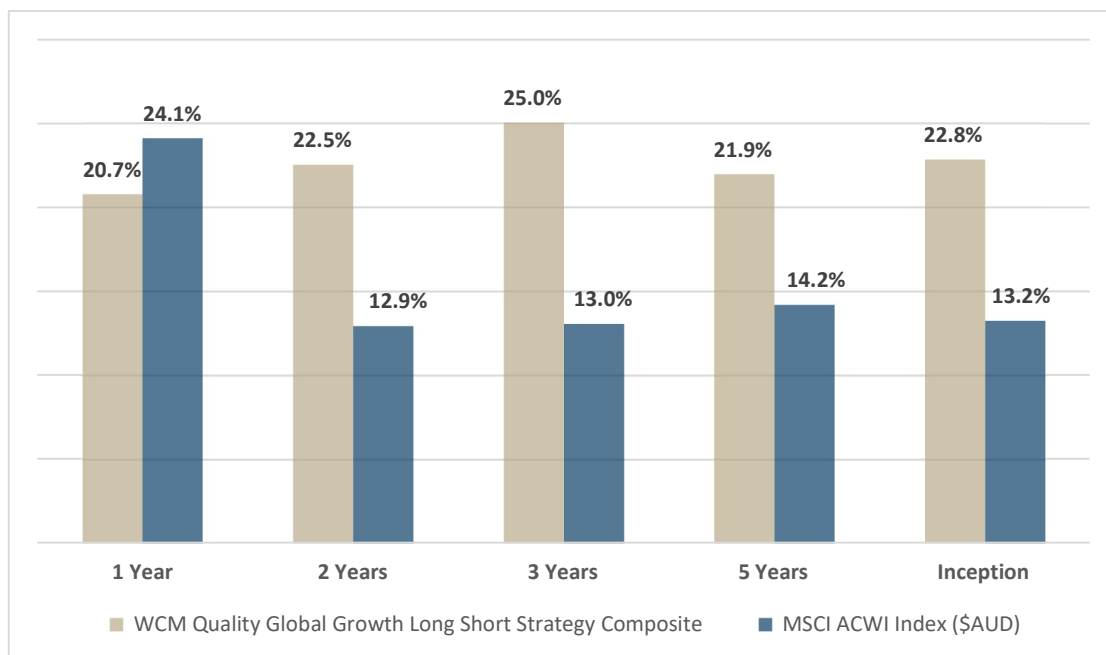
<sup>2</sup> Source: WCM Investment Management. Data as at 31 March 2021.

WCM entered the Australian market in 2013 and manages approximately A\$3.2billion<sup>3</sup> for Australian investors.

Since inception on 30 June 2014, the WCM Quality Global Growth Long Short Strategy Composite has generated a return of 22.8% per annum<sup>4</sup>, outperforming its benchmark, the MSCI All Country World Index, by an annualised 9.6% per annum<sup>4</sup>.

**WCM Quality Global Growth Long Short Strategy Composite Track Record<sup>4</sup>**

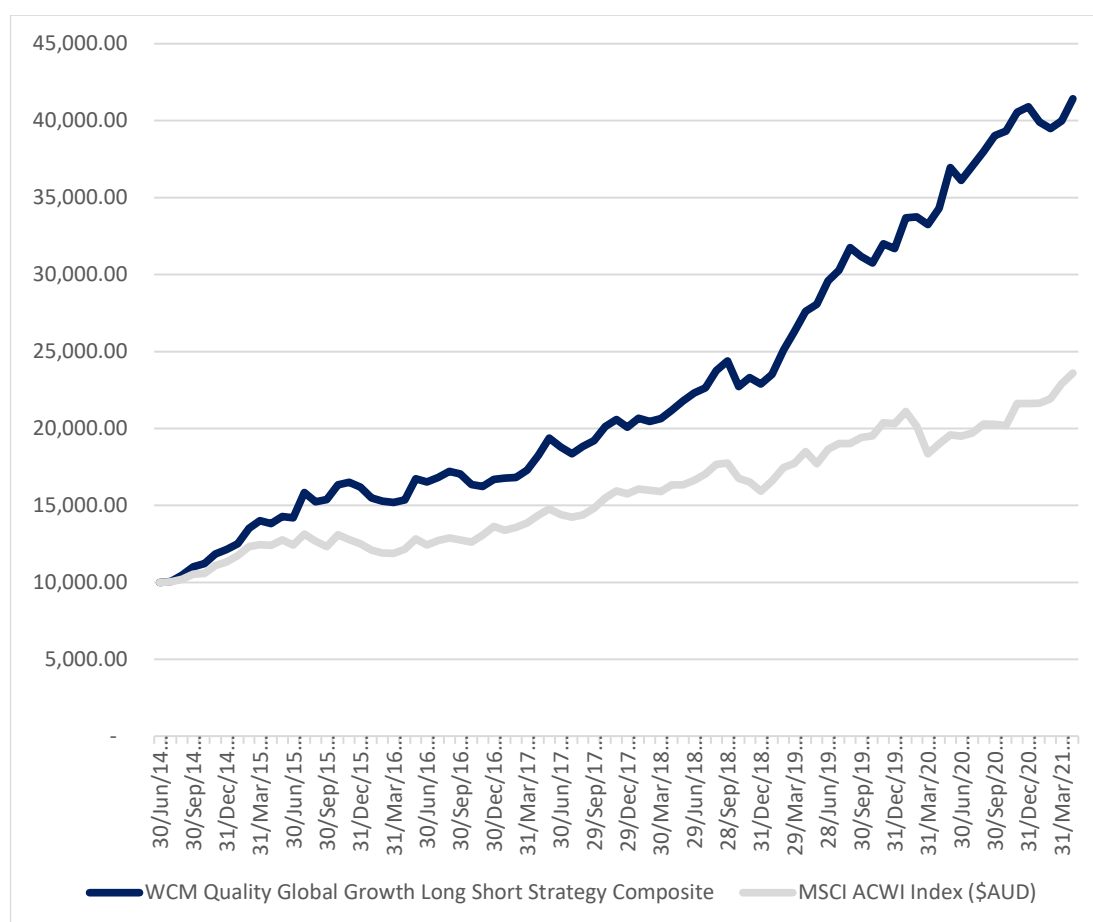
*Annualised Returns Versus its Benchmark*



*Value of \$10,000 invested in the WCM Quality Global Growth Long Short Strategy Composite Since Inception*

<sup>3</sup> Data as at 30 April 2021.

<sup>4</sup> Data as at 30 April 2021 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results. Inception date of the WCM Quality Global Growth Long Short Strategy Composite (the Composite) is 30 June 2014.



### Exceptional Investment Performance Across Multiple Strategies

WCM has a long-term track record of outstanding investment performance across multiple investment strategies. WCM currently distributes global large-cap and international small-cap strategies to the Australian institutional and retail markets. Both strategies have significantly outperformed their respective benchmarks since inception.

Since launching in 2008, the WCM Quality Global Growth Equity Strategy Composite has delivered an annualised net-of-fees return of 15.5% resulting in annualised outperformance of 6.2% per annum relative to its benchmark, the MSCI All Country World Index<sup>5</sup>. The WCM International Small Cap Growth Strategy has delivered an annualised net-of-fees return of 25.4%, resulting in annualised outperformance of 14.5% per annum relative to its benchmark, the MSCI ACWI ex-USA Small Cap Index<sup>5</sup>.

### WCM LIC Track Record

CIE complements WCM Global Growth Limited (**WQG**), a successful large cap, long-only listed investment company (**LIC**) that was floated in June 2017 and employs the WCM Quality Global Growth Equity Strategy (ex-Australia) managed by WCM. WQG's investment portfolio has generated an annualised return of 20.0% after fees since listing<sup>5</sup>. For the financial year to date, the pre-tax NTA value per share of WQG has increased from \$1.45 as at 30 June 2020 to \$1.69 as at 30 April 2021, after the payment of a 2.0 cents per share dividend in both September 2020 and March 2021. WQG is already rewarding Shareholders with dividends that are now fully franked. As at 30 April 2021, WQG was trading at a post-tax premium of 6.7% highlighting the success of a LIC with a portfolio managed by WCM.

<sup>5</sup> Data as at 30 April 2021 in AUD. Performance presented is net of fees and includes the reinvestment of all dividends and income. Past performance is not indicative of future results.

## Potential Benefits of Long Short Investment Strategies in Volatile Market Conditions

The CIE Board endorsed the approved global long short strategy because it believes that it is appropriate for the current market conditions.

In times of uncertain market performance, a long short strategy may benefit an investor's portfolio. Long short strategies are designed to maximise the upside of markets, while limiting the downside risk.

Some of the potential benefits of a long short investment strategy include:

- **Portfolio Diversification**  
Unlike long-only strategies, the WCM Quality Global Growth Long Short Strategy buys quality stocks WCM expects to outperform the market, while taking short positions in stocks it expects will underperform. This expands the potential investment universe offering the potential for a more diversified portfolio that is less correlated with the broader equity markets.
- **Excess Returns**  
Because long short strategies rely less on upward markets, there is the potential for returns from both rising and falling prices.
- **Managing Risk**  
With the recent market volatility, the advantage of the ability to short is clear. Shorting helps a long short manager take advantage of cheaper prices without taking on an excessive amount of risk.

The Board expects the new strategy to grow the Company's NTA and generate distributable profits over time.

## Selective Buy-Back

On 15 January 2021, the Board of CIE entered into a binding term sheet with WAM and its investment manager in relation to a Selective Buy-Back of WAM's 69.61% holding of ordinary Shares in CIE following the close of WAM's takeover offer for CIE on 13 November 2020.

### Terms of Buy-Back

Subject to a number of conditions precedent (set out below), the Company will buy back the entire WAM shareholding of 87,378,103 Shares at a price per Share equal to the pre-tax NTA value per Share of the Company calculated as at the close of trade on 30 June 2021 (less certain agreed transaction costs). The purchase price is subject to a possible adjustment payment based on the prevailing pre-tax NTA of the Company as at the close of trade on 14 July 2021.<sup>6</sup>

### Consideration Payable

For illustrative purposes (and because the precise amount payable by CIE to WAM is subject to change), if the pre-tax NTA per Share calculated as at the close of trade on 30 June 2021 is \$0.737 (as it was as at the close of trade on 30 April 2021), then the total amount payable by CIE to WAM for the Shares the subject of the Buy-Back Agreement will be approximately \$64.4 million (less certain agreed transaction costs and subject to the possible adjustment payment referred to above).

Assuming CIE Shareholders pass Resolution 2, CIE will pay WAM the requisite sum required under the Buy-Back Agreement before the close of business on 15 July 2021. CIE Shareholders should note however that since the exact

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<sup>6</sup> Any adjustment to the purchase price is to cater for any pre-tax NTA movement greater than 1% (up or down) between 30 June 2021 and the date of the meeting. For example, if CIE's pre-tax NTA calculated as at the close of trade on 14 July 2021 is more than 1% greater than CIE's 30 June 2021 pre-tax NTA, CIE will be required to pay WAM the balance. If on the other hand, CIE's pre-tax NTA calculated as at the close of trade on 14 July 2021 is more than 1% less than CIE's 30 June 2021 pre-tax NTA, WAM will be required to pay to CIE the balance. This adjustment payment (if applicable) is payable on or before 16 August 2021. If the difference between the two NTA calculations is 1% or less, no adjustment payment will be required.

amount payable to WAM is subject to change (i.e. based on the actual 30 June 2021 pre-tax NTA per Share figure) the actual amount payable to WAM may not equal \$64.4 million (less certain agreed transaction costs and subject to the possible adjustment payment referred to above).

### **Conditions Precedent**

The Selective Buy-Back is conditional on:

1. CIE Board determining that the Selective Buy-Back does not prejudice CIE's creditors;
2. the receipt of an independent expert's report that the Selective Buy-Back is either "fair and reasonable" or "reasonable" to unrelated Shareholders;
3. compliance with relevant ASX and Corporations Act requirements for the Selective Buy-Back; and
4. approval by CIE Shareholders of the Selective Buy-Back at the Meeting.

If the Selective Buy-Back is not approved by Shareholders, CIE intends to conduct an equal access buy-back of an as yet undecided portion of its Shares from all Shareholders at an as yet undecided after-tax NTA per Share (less transaction costs) buy-back price. To the extent that the Selective Buy-Back is not approved by Shareholders, CIE will publish details of the proposed equal access buyback to shareholders before the buyback is implemented.

As the Selective Buy-Back requires an independent expert's report, an independent expert's report is attached to the Explanatory Statement at Annexure A.

**The Independent Expert has concluded that the Selective Buy-Back is not fair but reasonable.**

### **Benefits of the Selective Buy-Back**

The key benefits of the Selective Buy-Back include:

1. providing an exit opportunity for WAM, without materially adversely affecting the NTA per Share of the remaining Shares (i.e. the NTA per CIE Share following completion of the Selective Buy-Back). An exit by WAM will support CIE's focus on implementing its new strategy as approved by Shareholders;
2. ensuring that the Company is fully invested in the WCM Quality Global Long Short Strategy, in contrast to the present situation where only approximately 55% of CIE's portfolio<sup>7</sup> is invested in this strategy with the balance retained as cash for the implementation of the Selective Buy-Back; and
3. the Directors believe that the benefits of the Selective Buy-Back outlined above provide the best opportunity over the long-term for the Company to generate distributable profits, expand CIE's Shareholder base and ultimately address the Share price discount to NTA.

The approved investment management agreement with WCM includes appropriate incentives to achieve outperformance that align the Investment Manager's interests with those of all Shareholders. However, should the Company's Share price persistently remain at a material discount to NTA per Share during the initial two-year period of the new WCM agreement, the Board will prioritise and, if appropriate, seek Shareholder approval to implement corporate strategies to address the discount.

### **Notice of Meeting**

Attached to this letter are the Notice of Meeting and Explanatory Statement for the Meeting.

**The Meeting will be held on Wednesday, 14 July 2021 at 10 am AEST.**

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<sup>7</sup> As at 30 April 2021.

In the light of the restrictions that have been introduced as a result of the global COVID-19 pandemic, the Company has determined that it is prudent for the Meeting to be held online only. The Meeting will be an electronic Meeting, held by virtual means at <https://agmlive.link/CIEEGM2>.

In terms of voting, Shareholders will be able to vote live and online during the Meeting. The Chairman of the Meeting will open the poll at the beginning of the Meeting and the poll will remain open until the close of the Meeting.

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 10 am AEST on 12 July 2021.

Finally, on behalf of the Board, I would like to take this opportunity to thank you for your continued support.

Yours sincerely



**Mark Kerr**  
**Chairman**

## Contango Income Generator Limited

(ASX:CIE) ACN 160 959 991

### Notice of Meeting

Notice is hereby given that a Meeting of the members of Contango Income Generator Limited (**Company**) will be held in accordance with the following timetable:

<b>Latest time and date for lodgment of completed Proxy Form and voting forms</b>	<b>10 am (AEST) on Monday, 12 July 2021</b>
<b>Time and date for determining eligibility to vote at Meeting</b>	<b>7 pm (AEST) on Monday, 12 July 2021</b>
<b>Time and date of Meeting</b>	<b>10 am (AEST) on Wednesday, 14 July 2021</b>

The Meeting will be an electronic Meeting and will be conducted by virtual means at <https://agmlive.link/CIEEGM2>.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting using the instructions below:

- a) enter <https://agmlive.link/CIEEGM2> into a web browser on a mobile or online device;
- b) your username, which is your Securityholder Reference Number or Holder Identification Number, is printed on your Proxy Voting Form; and
- c) your password, which is the postcode registered to your shareholding (overseas Shareholders should contact the Company for their password).

Proxyholders will need their proxy code which Link Market Services will provide via an email no later than 24 hours prior to the Meeting. Shareholders who wish to appoint a Proxyholder will also need to provide the Proxyholder's email address, either on the proxy voting form or by calling the Link Market Services Contact Centre on **1300 554 474**.

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 Proxy Form also forms part of this Notice of Meeting.

Please read this Notice of Meeting (**Notice**) carefully and attend the Meeting. If you are unable to attend the Meeting but are 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 Resolutions 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.

You will be able to listen to the proceedings, view the presentations, ask questions of the Board and vote in real-time.



## Items of Business

### 1. Resolution 1 – Change of Company Name

To consider, and if thought fit, to pass, the following resolution as a special resolution:

*"That, for the purposes of section 157 of the Corporations Act, and for all other purposes, the Company's name be changed from Contango Income Generator Limited to WCM Global Long Short Limited."*

The Chairman intends to vote all available proxies in favour of Resolution 1.

### 2. Resolution 2 – Selective Buy-Back

To consider, and if thought fit, to pass, the following resolution as a special resolution:

*"That, for the purposes of section 257D of the Corporations Act and ASX Listing Rule 10.1, and for all other purposes, the Selective Buy-Back of 87,378,103 fully paid ordinary Shares in the Company in accordance with the terms of the Buy-Back Agreement and as detailed in the Explanatory Statement, be approved."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution 2 by or on behalf of WAM Capital Limited, by any person who might obtain a material benefit as a result of the Selective Buy-Back (except a benefit solely by reason of being a holder of Shares) and by any person who is an Associate of any such persons.

However, the Company need not disregard a vote cast in favour of this Resolution 2 if:

- 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
- it is cast by the Chairman 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; or
- it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on Resolution 2; and
  - the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

**The Independent Expert has concluded that the Selective Buy-Back is not fair and reasonable.**

The Chairman intends to vote all available proxies in favour of Resolution 2.

By Order of the Board



**Anthony Rule**  
**Company Secretary**  
**15 June 2021**

## Important Notices

### Voting and Proxy Instructions

#### Quorum

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

#### 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 pm AEST on 12 July 2021. 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 Share held. In the case of joint holders of 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.

#### Majority Required for Resolutions

Resolutions 1 and 2 are special resolutions (meaning that at least 75% of the votes cast must be cast in favour of those Resolutions for them to be passed).

#### Method of Voting

All votes will be taken by poll.

#### Proxy Forms

The Proxy Form is attached to this Notice of Meeting.

#### Proxies

- Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint:
  - 1 proxy (if the Shareholder is entitled to one vote); or
  - 1 or 2 proxies (if the Shareholder is entitled to more than one vote).
- The person or persons appointed may, but need not be, a Shareholder. Where 2 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); and
  - each proxy may only exercise votes in respect of those Shares or voting rights the proxy represents.
- 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.

- 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's Share Registry.
- 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 Company's 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.
- The appointment of 1 or more proxies will not preclude a Shareholder from attending the Meeting and voting personally. If the Shareholder votes on a Resolution, the proxy or proxies must not vote as the Shareholder's proxy on that Resolution.
- If you appoint a proxy, you may still participate in the Meeting via the video conference facility.
- Proxies may be appointed using the enclosed Proxy Form. Detailed instructions for appointing a proxy are provided on the back of the Proxy Form.
- 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 10 am AEST on 12 July 2021)**. Proxies received after this deadline will not be effective for the scheduled Meeting.
- Proxy appointments may be lodged in any of the following ways:

	Lodgment with the Company's Share Registry
By mail	Contango Income Generator Limited C/-Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
By facsimile	Link Market Services Limited +61 9287 0309
By online voting	By visiting <a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> and following the instructions and information provided on the enclosed Proxy Form

### Appointment of Corporate Representatives

Ordinarily, a body corporate that is a Shareholder of the Company 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 or her appointment, including any authority under which the appointment is signed or a certified copy of the appointment, unless that evidence has previously been provided to the Company's Share Registry.

Shareholders should refer to the Chairman's letter and the Notice regarding not attending the Meeting in person but participating via the video conference. It is therefore important that corporate Shareholders lodge Proxy Forms directly instead of appointing a corporate representative.

### **Appointing the Chairperson of the Meeting as Your Proxy**

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

### **Undirected Proxies**

If you return your Proxy Form but do not nominate a proxy, the Chairman will be your proxy (or complete the proxy appointment by inserting the name or names of one or more Directors of the Secretary) 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 he will vote on your behalf as you direct on the Proxy Form.

If a proxy is not directed how to vote on an item of business or any 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 him how to vote on a Resolution, he will vote your proxy in favour of the item of business even if the Chairman has an interest in the outcome of that Resolution and votes cast by the Chairman, other than as proxy holder, would be disregarded because of his interest.

### **Questions and Comments from Shareholders**

A reasonable opportunity will be given to Shareholders to ask questions. Questions should relate to matters that are relevant to the business of the Meeting, as outlined in the Notice and the enclosed Explanatory Statement.

Shareholders who wish to ask the Company a question are strongly encouraged to submit a written question before the Meeting via email to [invest@contango.com.au](mailto:invest@contango.com.au). Written questions to the Company must be received by the Company by no later than 48 hours before the commencement of the Meeting. The Chairman will endeavour to address as many of the frequently raised relevant questions as possible during the course of the Meeting. However, there may not be sufficient time available at the Meeting to address all of the questions asked.

Please note that individual responses will not be sent to Shareholders.

### **Explanatory Statement**

Please read the enclosed Explanatory Statement for an explanation of the items of business set out in the Notice.

### **Definitions**

Words that are defined in the Glossary in the Explanatory Statement have the same meaning when used in the Notice unless the context requires or the definitions in the Glossary provide otherwise.

### **By Order of the Board**



**Anthony Rule**  
**Company Secretary**

15 June 2021

# Contango Income Generator Limited

ACN 160 959 991 (ASX:CIE)

## Explanatory Statement

### 1. Introduction

This Explanatory Statement has been prepared to assist Shareholders in understanding the Resolutions 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 in its entirety before making any decisions in relation to the Resolutions.

If you are in doubt as to how you should vote, you should consult your legal, investment or other professional adviser without delay.

### 2. Resolution 1

#### Additional Information in Relation to Resolution 1

It is proposed that Shareholders approve the Company's name being changed from "Contango Income Generator Limited" to "WCM Global Long Short Limited".

In accordance with section 157 of the Corporations Act, if a company wishes to change its name it must pass a special resolution of Shareholders to adopt the proposed new name.

The name "WCM Global Long Short Limited" was chosen by the Company because:

1. the new investment strategy known as the WCM Quality Global Growth Long Short Equity Strategy is a new offering in Australia. This change of name will better reflect the underlying investment portfolio of the Company;
2. Shareholders have strongly endorsed the move to the WCM Quality Global Growth Long Short Equity Strategy; and
3. the name change should increase the Company's relevance in the marketplace under the WCM brand and lift the Company's profile.

If the name change proposed in this Resolution 1 is successful, the Company will request that ASX change the Company's ASX listing code from "CIE" to "WLS".

The change of name will take effect when ASIC alters the details of the Company's registration in its records. This is expected to occur within 28 days of the Meeting.

#### Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

### 3. Resolution 2

#### Background Information

WAM Capital Limited (**WAM**) has an aggregate "relevant interest" (as that term is defined in the Corporations Act) in approximately 69.61% of the Company's Shares. This relevant interest has arisen as a result of WAM's takeover bid for all of the Company's issued equity capital which was first announced on 28 September 2020 (and which closed on 13 November 2020).

CIE proposed to WAM a selective share buy-back of all of WAM's shares in CIE to be implemented by CIE following completion of WAM's takeover bid. WAM was not opposed to CIE's proposal having reviewed and endorsed the content of CIE's ASX announcement on 27 October 2020. As such, the Company and WAM have entered into an agreement (**Buy-Back Agreement**) under which the Company will, subject to Shareholders passing this Resolution 2, buy-back all of the Shares WAM currently holds at a purchase price per Share equal to the pre-tax NTA value per Share of the Company calculated as at the close of trade on 30 June 2021 (less certain agreed transaction costs and subject to a possible adjustment payment based on the prevailing pre-tax NTA of the Company as at the close of trade on 14 July 2021<sup>8</sup>)<sup>9</sup> (**Selective Buy-Back**).

**The Independent Expert has concluded that the Selective Buy-Back is not fair but reasonable.**

A detailed summary of the Buy-Back Agreement is set out in Schedule 1 of this Explanatory Statement.

If Shareholders pass Resolution 2, the Company will buy-back all of the Shares held by WAM by no later than 15 July 2021 from internal cash reserves and the redemption of part of the Company's portfolio.

In order to implement the Selective Buy-Back, the Company requires Shareholder approval under both section 257D of the Corporations Act and ASX Listing Rule 10.1.

#### Corporations Act Requirements and ASIC Policy

Section 257D of the Corporations Act provides that a company may buy back its own shares if:

- the buy-back does not materially prejudice the company's ability to pay its creditors; and
- the company follows the procedures in Division 2 of Part 2.J.1 of the Corporations Act.

Section 257D sets out the procedure for a selective buy-back of shares and requires that the terms of an agreement for a selective buy-back be approved before it is entered into by either a:

- special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their Associates; or
- unanimous resolution approved by all ordinary shareholders,

or the agreement must be conditional upon such approval.

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<sup>8</sup> Any adjustment to the purchase price is to cater for any pre-tax NTA movement greater than 1% (up or down) between 30 June 2021 and the date of the meeting. For example, if CIE's pre-tax NTA calculated as at the close of trade on 14 July 2021 is more than 1% greater than CIE's 30 June 2021 pre-tax NTA, CIE will be required to pay WAM the balance. If on the other hand, CIE's pre-tax NTA calculated as at the close of trade on 14 July 2021 is more than 1% less than CIE's 30 June 2021 pre-tax NTA, WAM will be required to pay to CIE the balance. This adjustment payment (if applicable) is payable on or before 16 August 2021. If the difference between the two NTA calculations is 1% or less, no adjustment payment will be required.

<sup>9</sup> For illustrative purposes the independent expert has adopted a valuation date of 30 April 2021. It assessed the value of the Company as at that date at \$91.98 million, equivalent to reported net assets. Based on issued Shares of 125.5 million, the assessment corresponds to a value of \$0.733 per Share. Accordingly, had the Selective Buy-Back been completed based on this 30 April 2021 pre-tax NTA figure, the consideration payable by the Company to WAM on completion of the Buy-Back Agreement would have been approximately \$64.4 million.

In the notice of meeting circulated to shareholders, the company must set out all information known to the company that is material to the decision on how to vote on the buy-back resolution. However, the company does not need to disclose information if it would be unreasonable to require the company to do so because it had previously disclosed the information to its shareholders.

The information required under the Corporations Act and ASIC Policy is set out below. This information is to be read together with the Company's periodic and continuous disclosures given to ASX by the Company and which are available on the Company's website ([www.contango.com.au](http://www.contango.com.au)) or on ASX's website ([www.asx.com.au](http://www.asx.com.au)).

Section 257H(3) of the Corporations Act provides that on or immediately after the transfer of the shares bought back is registered, the shares are to be cancelled.

The Directors believe that the Selective Buy-Back will not negatively affect the solvency of the Company and will not materially prejudice its ability to pay its creditors.

The key terms of the Buy-Back Agreement include that:

- the Selective Buy-Back is subject to Shareholder approval;
- the buy-back of all of the Shares held by WAM will occur by no later than 15 July 2021;
- the Shares the subject of the Selective Buy-Back be cancelled by the Company on or immediately following their buy-back; and
- WAM has provided various standard representations and warranties regarding the number and title to the Shares the subject of the Buy-Back Agreement including that the Shares to be bought back will be free from any and all encumbrances.

A more detailed summary of the key terms of the Buy-Back Agreement is set out in Schedule 1 of this Explanatory Statement.

**Effect of the Selective Buy-Back on the Capital Structure and Control of the Company**

The Shares to be bought back under the Buy-Back Agreement represent approximately 69.61% of the Company's issued Share capital.

All of the Shares the subject of the Selective Buy-Back will be bought back by CIE by no later than 15 July 2021.

On completion of the buy-back and cancellation of the Shares the subject of the Selective Buy-Back:

- the Company's issued Share capital will be reduced by 87,378,103 Shares; and
- WAM will not hold any of the Company's Shares.

Assuming that Shareholders approve the Selective Buy-Back the Company's issued capital is expected to change as follows:

	As at date of the Meeting		After cancellation of WAM's Shares	
	Number	Paid up Value	Number	Paid up Value
<b>Shares on issue</b>	125,529,319	\$115,118,609	38,151,216	\$34,987,164
<b>Options on issue</b>	0	Nil	0	Nil
<b>Other securities</b>	0	Nil	0	Nil

The above table assumes that no securities are issued by the Company between the date of the Explanatory Statement and the date on which the Selective Buy-Back is completed.

After the cancellation of the Shares the subject of the Selective Buy-Back by the Company, the proportionate interest in CIE of each of the Company's Shareholders (i.e. as at the time of the cancellation) will increase.

The Company expects that the control of the Company will pass to the Shareholders of the Company (i.e. the CIE Shareholders other than WAM) on completion of the Selective Buy-Back (i.e. on completion of the Selective Buy-Back WAM will no longer control the Company).

The table below sets out the expected impact the cancellation of the CIE Shares the subject of the Selective Buy-Back will have on (i) the control of the Company (noting that the Directors do not believe that the Selective Buy-Back will have any negative control implications) as well as (ii) the Company's Share capital structure<sup>10</sup>:

Name of Substantial CIE Shareholder	Number CIE Shares held (as at 2 June 2021)	Percentage of CIE Shares held (as at 2 June 2021)	Number of CIE Shares held (i.e. on completion)	Percentage of CIE Shares held (i.e. on completion)
WAM Capital Limited	84,277,068	67.14%	0	N/A
WAM Capital Limited	3,101,035	2.47%	0	N/A
Gold Tiger Investments Pty Ltd	2,000,000	1.59%	2,000,000	5.24%
National Nominees Limited	1,600,000	1.28%	1,600,000	4.19%
Citicorp Nominees Pty Limited	1,335,693	1.06%	1,335,693	3.50%
Remaining CIE Shareholders	33,215,523	26.46%	33,215,523	87.07%
<b>Totals</b>	<b>125,529,319</b>	<b>100%</b>	<b>38,151,216</b>	<b>100%</b>

#### Consequences of an equal access buy-back

If the Selective Buy-Back is not approved by Shareholders, CIE intends to conduct an equal access buy-back of an as yet undetermined portion of its Shares from all Shareholders at an as yet undecided buy-back price per CIE Share (less transaction costs).

If all CIE Shareholders were to participate in that equal access buy-back equally, then there would be no impact on the control of the Company as all the proportionate interest in CIE of each CIE Shareholder (including WAM) would remain unchanged.

In the event that CIE conducts an equal access buy-back and CIE shareholders participate to differing degrees, then the proportionate impact on each CIE Shareholder's proportionate interest in CIE will differ depending on the extent to which (if at all) they decide to participate in that buy-back.

<sup>10</sup> The table assumes that no CIE Shareholder referred to in the table changes the size of their CIE Shareholding between the reference date of 2 June 2021 and the date the cancellation the subject of the Buy-Back Agreement is set to occur (which is expected to be 15 July 2021 (assuming CIE Shareholders pass Resolution 2)).



In such circumstances, the proportionate interest in CIE's post-equal access buy-back share capital of a CIE Shareholder that does not participate in the equal access buy-back will increase relative to a CIE Shareholder that does participate.

Furthermore, and while the precise impact on each CIE Shareholder will depend on the extent of their participation relative to other CIE Shareholders (as well as the size of the buy-back), if, for example, CIE were to buy back half of its Shares the following would be true:

- the proportionate interest of a 5% holder who choose not to participate in the buy-back would increase to 10% if 50% of the shares were repurchased from other shareholders; and
- the proportionate interest of a 5% holder who chose to participate completely (and on a pro rata basis) in the buy-back would remain unchanged at 5% .

### **Potential Advantages and Disadvantages of the Selective Buy-Back**

The Directors consider the following are advantages of the Selective Buy-Back:

1. providing an exit opportunity for WAM, without materially adversely affecting the NTA per Share of the remaining Shares (i.e. the NTA per CIE Share following completion of the Selective Buy-Back). An exit by WAM will support CIE's focus on implementing its new strategy as approved by Shareholders;
2. ensuring that the Company is fully invested in the WCM Quality Global Long Short Equity Strategy, in contrast to the present situation where only approximately 54% of CIE's portfolio is invested in this strategy with the balance retained as cash for the implementation of the Selective Buy-Back;
3. removing the major shareholder, who wishes to exit the Company, will create a more balanced share register amongst investors who voted for the Company's change in investment strategy and who will therefore be aligned to the future direction of the Company post WAM's exit. A balanced share register provides the opportunity for a more realistic reflection of market demand for CIE Shares;
4. addressing the perceived share "overhang" created by the present shareholding structure is an important step towards reducing the current Share price discount to NTA per Share. The Company can also more effectively pursue other capital management initiatives to address the share price discount without the presence of WAM on the share register; and
5. the Directors believe that the benefits of the Selective Buy-Back outlined above provide the best opportunity over the long-term for the Company to generate distributable profits, expand CIE's shareholder base and ultimately address the Share price discount to NTA.

The Directors consider the following are disadvantages of the Selective Buy-Back:

1. the proposed transaction provides WAM with an opportunity to exit its investment in CIE at a price consistent with full underlying value. This opportunity is not being provided to remaining CIE Shareholders, although such Shareholders were provided with an opportunity to exit their investment at a price consistent with (and potentially above) full underlying value by way of acceptance of the previous takeover offer for the Company by WAM and elected not to do so;
2. if Shareholders decide to sell their Shares they are likely to have to accept a price below the full underlying value of their investment at least in the short term; and
3. subsequent to the Selective Buy-Back, Shareholders will hold Shares in a much smaller company with the remaining Shareholders bearing a greater proportionate share of ongoing management/ administrative costs of the Company.

**Information Required by ASX Listing Rule 10.1**

The Company is also seeking Shareholder approval of the Selective Buy-Back for the purposes of ASX Listing Rule 10.1. The information required by ASX Listing Rule 10.5 in relation to a resolution for the purposes of ASX Listing Rule 10.1 is set out below.

Listing Rule 10.1 provides that an entity must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to, any of the following persons without shareholder approval:

- a related party;
- a child entity;
- a person who is, or was at any time, in the 6 months before the transaction, a substantial (10%+) holder in the Company;
- an Associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- a person whose relationship with the Company or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders.

Since (i) WAM "controls" (as that term is defined section 50AA of the Corporations Act) the Company it (i.e. WAM) is considered to be a "related party" (as that term is defined in section 228 of the Corporations Act) of the Company and (ii) the acquisition of the Shares the subject of the Selective Buy-Back constitutes a "substantial asset"<sup>11</sup> (as that term is defined in Chapter 10 of the ASX Listing Rules) the Selective Buy-Back requires approval under ASX Listing Rule 10.1 before it is able to be implemented.

**Specific Disclosures Required by ASX Listing Rule 10.5**

The following additional information is provided by the Company in relation to Resolution 2:

<b>The name of the person from whom the Company is acquiring the asset</b>	The Company is acquiring the substantial asset (i.e. the 87,378,103 Shares the subject of the Selective Buy-Back) from WAM.
<b>Which category in rules 10.1.1 to 10.1.5 the vendor falls within and why</b>	<p>WAM falls within ASX Listing Rule 10.1.1 (i.e. it is "related party" of the Company) because it "controls" (as that term is defined in section 228 of the Corporations Act) the Company.</p> <p>The Company believes that WAM controls the Company given that it has a relevant interest (as that term is defined in section 608 of the Corporations Act) in approximately 69.61% of the Company's Shares.</p>
<b>A description of the asset being acquired by the Company</b>	<p>The "substantial asset" the Company is proposing to acquire from WAM (i.e. should Shareholders pass Resolution 2) is the 87,378,103 Shares the subject of the Selective Buy-Back.</p> <p>The 87,378,103 Shares the subject of the Selective Buy-Back are considered to be a "substantial asset" because the consideration payable for that "asset" is more than 5% of the Company's "equity interests"<sup>12</sup>.</p> <p>All of the Shares the subject of the Selective Buy-Back will be cancelled as soon as possible after they have been bought back as required by section 257H(3) of the Corporations Act.</p>

<sup>11</sup> An asset is 'substantial' if its value or the value of the consideration payable for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules.

<sup>12</sup> As at the date of this Explanatory Statement, the Company's total equity interests is approximately \$91.98 million (5% of which is therefore approximately \$4.60 million).

<p><b>The consideration payable by the Company for the asset</b></p>	<p>The total consideration payable by CIE for the 87,378,103 Shares the subject of the Selective Buy-Back is 87,378,103 multiplied by the pre-tax NTA per Share value of CIE calculated as at the close of trade on 30 June 2021 (less certain agreed transaction costs and subject to the possible adjustment payment referred to throughout this notice of meeting).</p> <p>For illustrative purposes (and because the precise amount payable by CIE to WAM is subject to change), if the pre-tax NTA per Share calculated as at the close of trade on 30 June 2021 is \$0.737 (as it was as at the close of trade on 30 April 2021), then the total amount payable by CIE to WAM for the Shares the subject of the Buy-Back Agreement would be approximately \$64.4 million (less certain agreed transaction costs and subject to the possible adjustment payment referred to throughout this notice of meeting).</p> <p>Assuming CIE Shareholders pass Resolution 2, CIE will pay WAM the requisite sum required under the Buy-Back Agreement before the close of business on 15 July 2021. CIE Shareholders should note however the precise sum payable to WAM will vary depending on the actual 30 June 2021 pre-tax NTA per CIE Share calculation.</p>
<p><b>How the Company will fund the consideration payable for the asset</b></p>	<p>The Company will pay the consideration payable to WAM from its existing cash reserves and from the redemption of part of the WCM investment portfolio.</p>
<p><b>The expected timetable for completing the acquisition of the asset</b></p>	<p>If Shareholders pass Resolution 2, the Company will buy-back all of the Shares the subject of the Selective Buy-Back by no later than 15 July 2021 and will cancel them on or immediately thereafter.</p>
<p><b>Summary of the material terms of any acquisition agreement</b></p>	<p>The material terms of the Buy-Back Agreement are summarised above in the explanatory information pertaining to Resolution 2 under the heading "Corporations Act requirements and ASIC Policy" and in more detail in Schedule 1 of this Explanatory Statement.</p>
<p><b>Expected impact on the Company if Shareholders do not pass Resolution 2</b></p>	<p>If Shareholders do not pass Resolution 2, WAM will remain a Shareholder in CIE and may agitate for a change in the investment strategy of CIE. The Company will also likely conduct an equal access buy-back of its shares subject to relevant regulatory approvals. Please see the explanatory information under the heading "Consequences of an equal access buy-back" for further detail.</p>
<p><b>Independent expert's report on fairness and reasonableness</b></p>	<p>The Independent Expert has concluded that the Selective Buy-Back is <b>not fair but reasonable</b>. The Independent Expert's Report is attached to this Explanatory Statement at Annexure A.</p>

**Recommendation**

**The Directors recommend that Shareholders vote in favour of Resolution 2.**

#### **4. Further Information**

##### **a) No Other Material Information**

Except as set out in this document, in the opinion of the Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director or related body corporate of the Company which has not been previously disclosed to Shareholders.

The Company will issue a supplementary document to the Explanatory Statement if it becomes aware of any of the following between the date this document is provided to ASX and the date the Meeting is held:

- a material statement in the Explanatory Statement becomes false or misleading in a material aspect;
- a material omission from the Explanatory Statement;
- a significant change affecting a matter included in the Explanatory Statement; or
- a significant new matter has arisen which would have been required to be included in the Explanatory Statement if it had arisen before the date the Explanatory Statement is provided to ASX.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, the Company may circulate and publish any supplementary document by:

- making an announcement to ASX;
- posting the supplementary document to Shareholders at their registered address as shown on the Company's register of Shareholders; or
- posting a statement on the Company's corporate website,

as the Company, in its sole and absolute discretion, considers appropriate.

##### **b) Authorisation**

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

##### **c) Responsibility**

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

##### **d) Forward-looking Statements**

Some of the statements appearing in this document 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 document or involved in the preparation of this document 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 document reflect views held only at the date of this document. The Company has no obligation to disseminate, after the date of this document, 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.

**e) Share price information**

As at the close of trading on 8 June 2021, the Company's share price on ASX was \$0.62. During the last 12 months the Company's share price has traded as high as \$0.75 and as low as \$0.58.

**f) Financial information**

For further information in relation to the Company's financial position and recent financial performance, please see the Company's Appendix 4D and audited financial statements for the half year ended 31 December 2020 which were released on ASX on 19 February 2021 and are available at [www.asx.com.au](http://www.asx.com.au).

## Glossary

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

**AEST** means Australian Eastern Standard Time.

**ASIC** means the Australian Securities & Investments Commission.

**Associate** has the meaning given in sections 11 to 17 of the Corporations Act.

**ASX** means, as the context requires, ASX Limited or the financial market operated by it.

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

**Chairman** means Mark Kerr, the chairman of the Board of Company.

**Company** means Contango Income Generator Limited ACN 160 959 991.

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

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

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

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

**Explanatory Statement** means this explanatory statement (as amended or supplemented from time to time).

**Independent Expert** means Lonergan Edwards and Associates Limited.

**Meeting** means the extraordinary general meeting of Shareholders to be held by virtual means on Wednesday, 14 July 2021 at 10 am (Sydney time).

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

**Proxy Form** means the proxy form for the Meeting accompanying this Explanatory Statement.

**Resolution** means a resolution set out in the Notice.

**Share Registry** means Link Market Services Limited.

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

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

**WAM** means WAM Capital Limited ACN 086 587 395.

**WAMI** means Wilson Asset Management (International) Pty Limited ACN 081 047 118.

## Schedule 1 - Summary of Buy-Back Agreement

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### Summary of the Buy-Back Agreement

#### 1. Number of Shares and Selective Buy-Back consideration

Under the Buy-Back Agreement the Company has agreed to buy-back the 87,378,103 CIE Shares held by WAM (**Buy-Back Shares**), subject to certain conditions. On completion of the Selective Buy-Back, the Buy-Back Shares will be cancelled by the Company.

At the date of this Explanatory Statement, the Buy-Back Shares represent approximately 69.61% of the Company's issued share capital prior to cancellation.

Completion of the Selective Buy-Back is to occur on the business day after the last of the conditions precedent for the Selective Buy-Back are satisfied.

Subject to and on completion of the Selective Buy-Back, the consideration for the acquisition of the Buy-Back Shares is the payment by the Company to WAM of an amount equal to the Purchase Price.

The Company must do all things necessary to have sufficient cash available for the payment of the Purchase Price.

In addition to the Company and WAM, Contango Asset Management Limited (being the manager of the Company) and WAMI (being the investment manager of WAM) are also parties to the Buy-Back Agreement.

#### 2. Conditions precedent

Completion of the Buy-Back Agreement is subject to the following conditions precedent being satisfied:

- (a) the Board determining before Shareholder Approval (defined below) that completion of the Selective Buy-Back will not materially prejudice the Company's ability to pay its creditors and that all other requirements of section 257A of the Corporations Act have been satisfied;
- (b) issuance of a final independent expert's report by Lonergan Edwards & Associates (or another independent expert) concluding that the transaction is either fair and reasonable, or reasonable, in relation to the Selective Buy-Back;
- (c) the Company lodging with ASIC the relevant form (or forms) with respect to the Selective Buy-Back with the relevant accompanying documents as required by Division 2 of Part 2J.1 of the Corporations Act, and any required notice period under the Corporations Act and/or the ASX Listing Rules having been complied with; and
- (d) the Company obtaining the necessary shareholder and any other regulatory approval required for the Selective Buy-Back for the purposes of Division 2 of Part 2J.1 of the Corporations Act and any other approvals required under the Corporations Act or ASX Listing Rules for the Selective Buy-Back (**Shareholder Approval**).

Subject to the conditions precedent referred to in paragraphs (a) to (c) above being satisfied, each Director undertakes to vote in favour of the Selective Buy-Back when the Company seeks Shareholder Approval for any Shares in the Company they own or control.

If any condition precedent is not fulfilled by 14 July 2021 (**Cut-off Date**), WAM may, by written notice, rescind the Buy-Back Agreement. A rescission notice cannot, however, be given after the Shareholder Approval condition is fulfilled (even though the Shareholder Approval condition may have been fulfilled after the Cut-off Date).

#### 3. Other provisions of the Buy-Back Agreement

Purchase Price and adjustment payment

Subject to a number of conditions precedent (set out above), the Company will buy back the entire WAM shareholding of 87,378,103 Shares at a price per Share equal to the pre-tax NTA value per Share of the Company calculated as at the close of trade on 30 June 2021 (less certain agreed transaction costs. The purchase price is subject to a possible adjustment payment based on the prevailing pre-tax NTA of the Company as at the close of trade on 14 July 2021.<sup>13</sup>

For illustrative purposes (and because the precise amount payable by CIE to WAM is subject to change), if the pre-tax NTA per Share calculated as at the close of trade on 30 June 2021 is \$0.737 (as it was as at the close of trade on 30 April 2021), then the total amount payable by CIE to WAM for the Shares the subject of the Buy-Back Agreement will be approximately \$64.4 million (less certain agreed transaction costs and subject to the possible adjustment payment referred to above). This amount is payable on 15 July 2021.

Warranties

Each party to the Buy-Back Agreement has given mutual warranties as to status, authority, solvency, the binding nature of the agreement, the opportunity to obtain legal advice and that nothing in the agreement conflicts with or results in a breach or default by it under a contract, court order, process or judgment, or a law.

In addition, WAM represents and warrants to the Company that:

- (a) it is the legal and beneficial owner of the Buy-Back Shares;
- (b) the Buy-Back Shares are free from security interests and any other third-party interests or rights; and
- (c) the transfer of the Buy-Back Shares in accordance with this agreement does not and will not constitute a breach of any obligation (including any statutory, contractual or fiduciary obligation) or default under any agreement or undertaking by which WAM is bound.

Wilson Asset Management undertaking

Following satisfaction of all the conditions precedent of the Selective Buy-back, Wilson Asset Management undertakes to support any capital raising of the Company within 12 months of Completion (as announced to the ASX on Tuesday, 27 October 2020 and confirmed in the Chairman's Speech at the Annual General Meeting on Wednesday, 11 November 2020), by notification of any such capital raising opportunity to its investor network.

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<sup>13</sup> Any adjustment to the purchase price is to cater for any pre-tax NTA movement greater than 1% (up or down) between 30 June 2021 and the date of the meeting. For example, if CIE's pre-tax NTA as at the close of trade on 14 July 2021 is more than 1% greater than CIE's 30 June 2021 pre-tax NTA, CIE will be required to pay WAM the balance. If on the other hand, CIE's pre-tax NTA calculated as at the close of trade on 14 July 2021 is more than 1% less than CIE's 30 June 2021 pre-tax NTA, WAM will be required to pay CIE the balance. This adjustment payment (if applicable) is payable on or before 16 August 2021. If the difference between the two NTA calculations is 1% or less, no adjustment payment will be required.



### Default

Under the Buy-Back Agreement, upon the occurrence of any event of default a non-defaulting party or parties may provide any defaulting party with notice in writing requiring the defaulting party to remedy the specified event of default within a period of not less than 10 business days following receipt of the notice.

If following the provision of the notice the default remains unremedied on expiry of the period specified in that notice any non-defaulting party may terminate the Buy-Back Agreement immediately by providing a further notice in writing to that effect and upon the receipt of that notice the agreement will automatically terminate.

For the purposes of the Buy-Back Agreement, a party commits an event of default if it:

- (a) fails to do, execute or perform any deed, matter, act or thing which such party is obliged to do, execute or perform under the Buy-Back Agreement; or
- (b) makes a representation, warranty or statement given under the Buy-Back Agreement which proves to be untrue; or
- (c) is subject to an insolvency event.

### **4. Inspection of the Buy-Back Agreement**

A copy of the Buy-Back Agreement is available for inspection by the Company's Shareholders upon request at the Share Registry of the Company or at the registered office of the Company before the Meeting to approve the Selective Buy-Back.

The Directors  
Contango Income Generator Limited  
Level 6  
10 Spring Street  
Sydney NSW 2000

14 May 2021

**Subject: Proposed selective share buy-back**

Dear Directors

**Introduction**

- 1 On 15 January 2021, Contango Income Generator Limited (CIE or the Company) announced that it had entered into a conditional binding term sheet with WAM Capital Limited (WAM) (and its investment manager, Wilson Asset Management (International) Pty Ltd) in relation to a buy-back of all of the ordinary shares in CIE currently held by WAM (the Proposed Transaction).
- 2 Subject to a number of conditions precedent (set out below), CIE will buy back the entire WAM shareholding (87,378,103 ordinary shares in CIE) at a price equal to the net tangible asset (NTA) value before deferred tax assets and liabilities<sup>1</sup> less agreed transaction costs per CIE share as at 30 June 2021. The buy-back consideration will be payable by CIE to WAM in cash on completion of the buy-back.

**Conditions precedent**

- 3 The buy-back of the WAM shareholding by CIE is conditional on:
  - (a) CIE Board approval that the buy-back does not prejudice creditors
  - (b) the receipt of an independent expert's report (IER) that the buy-back is either "fair and reasonable" or "reasonable" to unrelated shareholders (being CIE shareholders not subject to the buy-back)
  - (c) compliance with relevant Australian Securities Exchange (ASX) and *Corporations Act 2001* (Cth) (Corporations Act) requirements for the buy-back; and
  - (d) approval of the buy-back by those CIE shareholders not the subject of the buy-back at a CIE extraordinary general meeting (EGM) to be called for that purpose.

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<sup>1</sup> Whilst not stated on the term sheet we have been advised that the buy-back price will be equal to NTA calculated before taking into account any deferred tax assets and liabilities (e.g. ignoring tax losses and tax on any unrealised gains).

**Authorised Representatives:**

Wayne Lonergan • Craig Edwards\* • Hung Chu • Martin Hall • Martin Holt\* • Grant Kepler\* • Julie Planinic\* • Nathan Toscan • Jorge Resende

\* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.  
*Liability limited by a scheme approved under Professional Standards Legislation*

## Purpose of report

- 4 As noted above, the Proposed Transaction is conditional on the receipt of an IER opining that the buy-back is either “fair and reasonable” or “reasonable” to CIE shareholders other than WAM.
- 5 Accordingly, the Directors of CIE have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to CIE shareholders and the reasons for that opinion.
- 6 LEA is independent of CIE and WAM and has no other involvement or interest in the Proposed Transaction.

## Summary of opinion

- 7 In our opinion, the Proposed Transaction is not fair, but is reasonable to CIE shareholders other than WAM. We have formed this opinion for the reasons set out below.

### Fairness

- 8 We have concluded that the Proposed Transaction is “not fair” because the buy-back price mechanism fails to allow for any deferred tax liability on the CIE investment portfolio, and could therefore result in WAM receiving consideration under the buy-back which exceeds our assessed value of CIE shares.
- 9 For example, as at 30 April 2021 (being the date of the most recent financial position of CIE available to us as at the date of this report), we have assessed the value of the Company at \$91.979 million, equivalent to reported net assets. Based on issued shares of 125.5 million, our assessment corresponds to a value of \$0.733 per share.
- 10 As noted above, the consideration for the proposed share buy-back is equal to the NTA value before deferred tax assets and deferred tax liabilities less agreed transaction costs per CIE share determined as at 30 June 2021. Had the share buy-back been completed on 30 April 2021, the consideration would have been \$0.737 per share (less agreed transaction costs).
- 11 Accordingly, based on the NTA of CIE as at 30 April 2021 the proposed share buy-back price mechanism would not be fair to the CIE shareholders not subject to the buy-back because the buy-back price (\$0.737 per share) would have slightly exceeded our assessed value of CIE shares that are to be the subject of the buy-back as at that date (\$0.733 per share).
- 12 The above opinion does not necessarily mean that the actual buy-back price (which cannot yet be determined) will be unfair. This ultimately depends on the extent of the deferred tax liability as at completion (which is unknown).

### Reasonableness

- 13 Pursuant to RG 111, a transaction is reasonable if it is fair. A transaction may also be reasonable, even if it is not fair, if the expert considers that the advantages of the transaction outweigh the disadvantages of the transaction from the perspective of the non-associated shareholders. Accordingly, we have also considered whether the Proposed Transaction is reasonable from the perspective of those CIE shareholders that are not the subject of the buy-back.

- 14 In particular we have considered the impact of the proposed buy-back on the after tax NTA per share position of CIE.
- 15 Based on the actual position as at 30 April 2021, we note that the remaining CIE shareholders from an after tax NTA per share perspective are slightly worst off as a result of the Proposed Transaction, as shown below:

<b>CIE shareholders comparative position as at 30 April 2021<sup>(1)</sup></b>			
	<b>Financial position as at 30 Apr 21</b>	<b>Proposed share buy-back<sup>(2)</sup></b>	<b>After Proposed Transaction</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other current assets	142	-	142
Investment in WCM <sup>(3)</sup>	51,234	(23,013)	28,221
<b>Total assets</b>	<b>92,800</b>	<b>(63,163)</b>	<b>28,363</b>
Trade and other payables	229	-	229
Deferred tax liability (net)	592	-	592
<b>Total liabilities</b>	<b>821</b>	<b>-</b>	<b>821</b>
<b>Net assets</b>	<b>91,979</b>	<b>(64,437)</b>	<b>27,542</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.733</b>		<b>0.722</b>
<b>Buy-back price (\$)</b>		<b>0.737</b>	
<b>Reduction in post-tax NTA per share due to buy-back</b>			<b>1.5%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.
- 3 Wilson Investment Management, LLC (WCM).

- 16 However, in order to highlight the potential impact of the buy-back pricing mechanism on CIE shareholders, we have also considered the pre and post buy-back position of CIE shareholders under two further scenarios (both of which are hypothetical):
- (a) **Scenario 1** – assuming the market value of the investment in WCM increases by 10% between 30 April 2021 and the completion date of the buy-back; and
  - (b) **Scenario 2** – assuming the market value of the investment in WCM decreases by 10% between 30 April 2021 and the completion date of the buy-back.
- 17 The position under Scenario 1 is as follows:

**Scenario 1 – CIE shareholders comparative position assuming market value of investment in WCM increases by 10%<sup>(1)</sup>**

	<b>Financial position as at 30 Apr 21 adjusted for 10% increase in investment \$000</b>	<b>Proposed share buy-back<sup>(2)</sup> \$000</b>	<b>After Proposed Transaction \$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other current assets	142	-	142
Investment in WCM	56,357 <sup>(3)</sup>	(26,579)	29,779
<b>Total assets</b>	<b>97,923</b>	<b>(68,003)</b>	<b>29,921</b>
Trade and other payables	229	-	229
Deferred tax liability (net)	2,129 <sup>(4)</sup>	-	2,129
<b>Total liabilities</b>	<b>2,358</b>	<b>-</b>	<b>2,358</b>
<b>Net assets</b>	<b>95,565</b>	<b>(68,003)</b>	<b>27,563</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.761</b>		<b>0.722</b>
<b>Buy-back price (\$)</b>		<b>0.778</b>	
<b>Reduction in post-tax NTA per share due to buy-back</b>			<b>5.1%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.
- 3 Value as at 30 April 2021 plus 10% (assumed increase for purposes of example only).
- 4 Reflects increase in deferred tax liability due to assumed increase in market value of WCM investment.

- 18 As indicated above, CIE shareholders will be worse off under the buy-back pricing mechanism if there is a material increase in the value of the WCM investment between 30 April 2021 and completion.
- 19 In contrast, under Scenario 2 (which assumes a 10% reduction in the market value of the WCM investment), CIE shareholders will be comparatively better off under the buy-back pricing mechanism as shown below:

**Scenario 2 - CIE shareholders comparative position assuming market value of investment in WCM decreases by 10% <sup>(1)</sup>**

	<b>Financial position as at 30 Apr 21 adjusted for 10% decrease in investment \$000</b>	<b>Proposed share buy-back<sup>(2)</sup> \$000</b>	<b>After Proposed Transaction \$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other receivables	142	-	142
Investment in WCM	46,111 <sup>(3)</sup>	(19,446)	26,664
Deferred tax asset (net)	945 <sup>(4)</sup>	-	945
<b>Total assets</b>	<b>88,622</b>	<b>(60,870)</b>	<b>27,751</b>
Trade and other payables	229	-	229
<b>Total liabilities</b>	<b>229</b>	<b>-</b>	<b>229</b>
<b>Net assets</b>	<b>88,393</b>	<b>(60,870)</b>	<b>27,522</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.704</b>		<b>0.721</b>
<b>Buy-back price (\$)</b>		<b>0.697</b>	
<b>Increase in post-tax NTA per share due to buy-back</b>			<b>2.4%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.
- 3 Value as at 30 April 2021 less 10% (assumed decrease for purposes of example only).
- 4 Reflects deferred tax asset arising due to assumed decrease in market value of WCM investment.

- 20 Thus, whether CIE shareholders are comparatively better off under the proposed buy-back depends on the performance of CIE's investment portfolio between 30 April 2021 and completion of the buy-back (if approved).
- 21 We also note that at the EGM held on 18 September 2020, CIE shareholders approved a new investment strategy for the Company's investment portfolio, to a global long short investment strategy managed by WCM. **We note that the Proposed Transaction provides an outcome for the remaining CIE shareholders that is consistent with this objective (which we understand could not be achieved whilst WAM remained a shareholder in the Company).**
- 22 In considering the Proposed Transaction CIE shareholders should also note that:
  - (a) the Proposed Transaction provides WAM with an opportunity to exit its investment in CIE at a price consistent with full underlying value. This opportunity is not being provided to remaining CIE shareholders, although we note that such shareholders were recently provided an opportunity to exit their investment in CIE at a price consistent with (and potentially above) full underlying value by way of acceptance of the WAM offer and elected not to do so
  - (b) if CIE shareholders decide to sell their CIE shares they are likely to have to accept a price significantly below the full underlying value of their investment as it is likely that

CIE shares will continue to trade at a significant discount to their underlying NTA per share<sup>2</sup>

- (c) subsequent to the Proposed Transaction CIE shareholders not the subject of the proposed buy-back will hold shares in a much smaller company. For example, net assets will reduce from around \$92.0 million to around \$27.5 million and the investment in the WCM Quality Global Growth Long Short Strategy will reduce by around 45% (based on figures as at 30 April 2021).

One of the negative effects of the reduction in size of the Company is that the remaining shareholders will effectively bear a greater proportionate share of the ongoing management / administrative fixed costs of the Company than would otherwise have been the case. However, the buy-back of WAM shares due to the Proposed Transaction will allow the CIE Board to pursue capital raising initiatives in future to increase the size of the Company.

- 23 **On balance we consider that the Proposed Transaction is reasonable for the primary reason set out in paragraph 21.**

## General

- 24 In preparing this report we have considered the interests of CIE shareholders (other than WAM) as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 25 The impact of approving the Proposed Transaction on the tax position of CIE shareholders (other than WAM) depends on the individual circumstances of each investor. CIE shareholders should read the Notice of Meeting and consult their own professional advisers if in doubt as to the taxation consequences of the Proposed Transaction.
- 26 The ultimate decision whether to approve the Proposed Transaction should be based on each CIE shareholder's assessment of their own circumstances. If CIE 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. For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that CIE shareholders read the remainder of our report.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative

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<sup>2</sup> Based on recent share market trading this discount has been around 15%.

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## Appendices

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## I Background

- 27 CIE is a listed investment company. It was floated in 2015 with the objective of providing shareholders with a sustainable income stream of dividends and capital growth over time. Pursuant to a related agreement, Contango Funds Management Limited (CGA) was appointed the investment manager for the Company.
- 28 In August 2019, the Company formed the view that changes in the market environment (including a significant decline in interest rates and low stock market dividend yields) rendered the then dividend policy unsustainable. The dividend policy was therefore revised and a more flexible investment approach adopted. However the Company was subsequently unable to generate sufficient distributable profits to sustain dividends.
- 29 Accordingly, on 12 August 2020, CIE announced that (subject to shareholder approval) it intended to adopt a new investment strategy for the Company's investment portfolio. A move to a global long short investment strategy managed by WCM, a California-based asset management firm which specialises in the active management of global and emerging market equities, was proposed (WCM Quality Global Growth Long Short Strategy). At the time, WCM managed in excess of A\$85 billion on behalf of institutional and retail investors around the world, including Australia. Whilst CGA would remain as the investment manager and continue to provide a range of management services to CIE, a revised management fee structure was proposed, which was to be split between CGA and WCM.
- 30 The new investment strategy was approved by CIE shareholders at an EGM on 18 September 2020. The Company advised that 53% of votes were in favour of the resolution (to change strategy) and that 68% by number of shareholders who voted did so in favour of the change in investment strategy. However the resolution was not supported by two competing fund managers who were substantial shareholders of the Company, one of which was WAM.
- 31 On 28 September 2020, WAM announced a conditional off-market takeover bid for the Company, the offer consideration being 1 WAM share for every 3 CIE shares.
- 32 The Target's Statement in response to the bid was released on 28 October 2020. The CIE Board recommended that CIE shareholders who wanted to stay invested in the WCM Quality Global Growth Long Short Strategy should reject the WAM offer. The CIE Directors were of the view that the offer "*may not adequately reflect the improved environment for CIE Shares as the new investment strategy is implemented*".
- 33 However the CIE Directors also recommended that shareholders who did not want to remain invested in the new strategy should accept the WAM offer as it:
- (a) represented a premium to both the CIE share price before the announcement of the offer and the underlying NTA per share
  - (b) provided an opportunity for CIE shareholders to either remain a shareholder in WAM or utilise WAM's on-market liquidity to exit their investment.
- 34 At the close of the offer on 13 November 2020, WAM held a voting interest in CIE of 69.61%.

- 35 On 27 October 2020, CIE announced that during the course of the offer negotiations had been held with WAM, following which a restructure of the Company was proposed, a component of which was a selective buy-back of the CIE shares held by WAM.
- 36 On 15 January 2021, the Proposed Transaction was announced.

## II Proposed Transaction

- 37 As noted above, on 15 January 2021, CIE announced that it had entered into a conditional binding term sheet with WAM (and its investment manager, Wilson Asset Management (International) Pty Ltd) in relation to a buy-back of all of the ordinary shares in CIE currently held by WAM (the Proposed Transaction).
- 38 Subject to a number of conditions precedent, CIE will buy back the entire WAM shareholding (87,378,103 ordinary shares in CIE) at a price equal to the NTA value before deferred tax assets or liabilities<sup>3</sup> less agreed transaction costs per CIE share as at 30 June 2021. The buy-back consideration will be payable by CIE to WAM in cash on completion of the buy-back.
- 39 The agreed transaction costs comprise CIE's third-party costs and expenses following execution of the term sheet, incurred in relation to the negotiation and preparation of the definitive documentation required for the selective buy-back, up to a maximum of \$130,000 plus GST. Any costs incurred in connection with a potential capital raising that may be undertaken to partially fund the selective buy-back are to be excluded.
- 40 The net assets of CIE as at 31 December 2020 and 30 April 2021 are set out below:

<b>CIE – financial position</b>		
	<b>31 Dec 20</b>	<b>30 Apr 21</b>
	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>		
Cash and cash equivalents	41,758	41,424
Trade and other current assets	185	142
Investment in WCM Focused Global Growth Long-Short Offshore Fund Ltd <sup>(1)</sup>	51,343	51,234
<b>Total assets</b>	<b>93,286</b>	<b>92,800</b>
<b>Liabilities</b>		
Trade and other payables	88	229
Current tax liability	1,882	-
Deferred tax liabilities <sup>(2)(3)</sup>	586	592
<b>Total liabilities</b>	<b>2,556</b>	<b>821</b>
<b>Net assets</b>	<b>90,730</b>	<b>91,979</b>

**Note:**

- 1 At fair market value.
  - 2 Principally the deferred tax liability on unrealised gains on CIE's investments.
  - 3 Whilst CIE had significant tax losses as at 30 June 2020 of some \$23.6 million (gross), CIE no longer meets the ownership test (due to the outcome of the WAM takeover offer) and there is significant uncertainty regarding whether CIE meets the same business test following the change in investment strategy. As a result, CIE's financial statements and ASX announcements regarding the net asset position of the fund now assume that CIE does not have any carried forward tax losses.
- Rounding differences may exist.

<sup>3</sup> Whilst not stated on the term sheet we have been advised that the buy-back price will be equal to NTA calculated before taking into account any deferred tax assets or deferred tax liabilities (e.g. ignoring tax losses and tax on any unrealised gains).

- 41 Based on issued shares of 125,529,319, the NTA before deferred tax assets and liabilities as at 30 April 2021 was \$0.737 per share.
- 42 For the purpose of our report we have assumed the maximum transaction costs of \$130,000, together with a related assumption that the transaction costs incurred will not exceed this amount. We note that based on issued share capital of 125,529,319 shares, the impact on the reported NTA before deferred tax assets and liabilities as at 30 April 2021 after allowing for these transaction costs would have been immaterial, in that NTA before deferred tax assets and liabilities would have reduced by \$0.001 per share to \$0.732 per share.
- 43 To complete the share buy-back (assuming a comparable position at the time to 30 April 2021) the Company will be required to make a cash payment to WAM of around \$64.4 million (being 87,378,103 shares at \$0.737 per share). As noted above, as at 30 April 2021 CIE had a cash balance of \$41.4 million. We have been advised that the Company will be redeeming sufficient units currently invested in the WCM Quality Global Growth Long Short Strategy to enable the buy-back to be fully funded.

### III Assessment of Proposed Transaction

- 44 As noted above, the Directors of CIE have requested LEA to prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to CIE shareholders (other than WAM) and the reasons for that opinion.
- 45 In preparing our report we have given due consideration to the Regulatory Guides issued by the Australian Securities & Investments Commission (ASIC) including, in particular, RG 111 – *Content of expert reports* (RG 111).
- 46 RG 111 distinguishes “fair” from “reasonable” and considers (in the circumstances of CIE and the Proposed Transaction):
- (a) the buy-back price to be “fair” to the CIE shareholders not subject to the buy-back if the buy-back price is equal to or less than the value of the securities that are the subject of the buy-back
  - (b) the buy-back to be “reasonable” if it is fair. The buy-back may also be “reasonable” if, despite not being “fair”, the expert believes there are sufficient reasons for CIE shareholders not subject to the buy-back to approve the buy-back in the absence of a superior proposal.
- 47 Our assessment of the Proposed Transaction has also included (inter alia):
- (a) consideration of the value of the CIE investment portfolio, which now effectively comprises an investment in the WCM Quality Global Growth Long Short Strategy, together with cash
  - (b) a review of the price mechanism proposed to establish the share buy-back price
  - (c) the recent change in investment strategy of CIE approved by shareholders at the EGM on 18 September 2020
  - (d) a comparison of the position of CIE shareholders not subject to the proposed share buy-back both before and after the Proposed Transaction.

#### Fairness

- 48 In assessing the fairness of the Proposed Transaction we have considered:
- (a) the market value of 100% of CIE
  - (b) the value of the proposed buy-back consideration
  - (c) the extent to which (a) and (b) differ (in order to assess whether the Proposed Transaction is fair under RG 111).

#### Valuation of CIE

- 49 Pursuant to RG 111, in considering whether the Proposed Transaction is fair, we are required to assess the value of CIE on a 100% controlling interest basis.

- 50 In this regard, in considering the extent (if any) to which a notional acquirer of CIE would pay a premium over the pro-rata value of a portfolio (minority) interest therein to acquire a 100% interest in CIE, we have had regard to the following:
- (a) subsequent to the EGM held on 18 September 2020, the CIE investment portfolio comprises an investment in the WCM Quality Global Growth Long Short Strategy, together with cash and cash equivalents
  - (b) given the nature and composition of the portfolio a professional / sophisticated investor could readily replicate the portfolio<sup>4</sup>
  - (c) whilst transaction costs would be incurred in replicating the portfolio, these are unlikely to be material for professional / sophisticated investors and would likely be not greater than (and most likely less than) the unavoidable corporate / regulatory costs, delays and uncertainties that would be incurred by a notional acquirer seeking a 100% controlling interest in CIE
  - (d) as at 30 April 2021 cash and cash equivalents comprised a significant part of the net assets of CIE, in respect of which a notional acquirer would logically pay no premium.
- 51 Based on the above, we are of the view that a notional acquirer of CIE would not pay a premium over the pro-rata value of a portfolio interest therein to acquire a 100% interest in CIE.
- 52 The net assets of CIE as at 30 April 2021 are summarised in paragraph 40 above. We note the investment in the WCM Quality Global Growth Long Short Strategy is stated at market value as at that date. Having regard to the nature of the assets (and liabilities) of the Company, for the purpose of our report, we have accepted the reported net assets as reasonably representative of the value of a 100% interest in CIE as at that date.
- 53 We have been advised that liabilities (trade and other payables) stated at \$229,000 exclude any accrual / provision for costs to be incurred by CIE in connection with the proposed share buy-back which are the subject of the agreed term sheet with WAM. As noted above, these costs (as defined) up to a maximum of \$130,000 plus GST are to be adjusted against NTA for the purpose of determination of the buy-back price. For the purpose of our report, we have assumed that the actual transaction costs incurred will not exceed this amount. In assessing the fairness of the Proposed Transaction for the purpose of our report we have therefore ignored transaction costs.
- 54 Having regard to the above we have assessed the value of the Company (as at 30 April 2021) at \$91.979 million, equivalent to reported net assets.
- 55 Based on issued shares of 125,529,319 we have therefore assessed the value of CIE as at 30 April 2021 at \$0.733 per share.

### **Value of consideration**

- 56 As noted above, the consideration for the proposed share buy-back is equal to the NTA value before deferred tax assets and liabilities less agreed transaction costs per CIE share as at 30 June 2021.

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<sup>4</sup> We understand investment in the WCM Global Long Short Strategy is not available to retail investors.

57 For illustrative purposes we have adopted a valuation date of 30 April 2021 (being the date of the most recent financial position of CIE as at the date of this report). Had the share buy-back been completed on that date the consideration would therefore have been \$0.737 per share (ignoring transaction costs)<sup>5</sup>.

### Opinion on fairness

58 Accordingly, based on the NTA of CIE as at 30 April 2021 the proposed share buy-back price mechanism would not be fair to the CIE shareholders not subject to the buy-back because the buy-back price would have exceeded our assessed value of CIE shares that are to be the subject of the buy-back as at that date.

59 **Further, in our opinion, the buy-back price mechanism is “not fair” because the buy-back price mechanism fails to allow for any deferred tax liability on the CIE investment portfolio. As shown above, this could therefore result in WAM receiving consideration under the buy-back which exceeds our assessed value of CIE shares.**

60 The above opinion does not necessarily mean that the actual buy-back price (which cannot yet be determined) will be unfair. This ultimately depends on the extent of the deferred tax liability as at completion (which is unknown).

### Reasonableness

61 Pursuant to RG 111, a transaction is reasonable if it is fair. A transaction may also be reasonable, even if it is not fair, if the expert considers that the advantages of the transaction outweigh the disadvantages of the transaction from the perspective of the non-associated shareholders.

62 In considering the reasonableness of the Proposed Transaction from the perspective of those CIE shareholders that are not the subject of the buy-back we have had regard to the following.

### Comparative position of CIE shareholders

63 We have compared the position of CIE shareholders before and after the Proposed Transaction, in particularly as regards the relative NTA per share.

64 In projecting the position subsequent to the Proposed Transaction we have:

- (a) assumed the utilisation in full of the reported cash and cash equivalent position as at 30 April 2021 of \$41,424,000 to partially fund the buy-back consideration. In practice we would expect a portion of the cash balance to be retained for working capital purposes
- (b) as advised by CIE management, assumed the balance of the buy-back consideration payable is funded by a partial redemption of the investment in the WCM Quality Global Growth Long Short Strategy
- (c) assumed the shares bought back are subsequently cancelled.

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<sup>5</sup> Being the NTA (after tax) of \$90,728,000 plus deferred tax liabilities of \$13,000, divided by 125,529,513 shares as at 30 April 2021.

65 The comparative position of CIE shareholders that are not the subject of the buy-back (based on the position as at 30 April 2021) is set out below:

<b>CIE shareholders comparative position as at 30 April 2021<sup>(1)</sup></b>			
	<b>Financial position as at 30 Apr 21 \$000</b>	<b>Proposed share buy-back<sup>(2)</sup> \$000</b>	<b>After Proposed Transaction \$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other current assets	142	-	142
Investment in WCM	51,234	(23,013)	28,221
<b>Total assets</b>	<b>92,800</b>	<b>(63,163)</b>	<b>28,363</b>
Trade and other payables	229	-	229
Deferred tax liability (net)	592	-	592
<b>Total liabilities</b>	<b>821</b>	<b>-</b>	<b>821</b>
<b>Net assets</b>	<b>91,979</b>	<b>(64,437)</b>	<b>27,542</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.733</b>		<b>0.722</b>
<b>Buy-back price (\$)</b>		<b>0.737</b>	
<b>Reduction in post-tax NTA per share due to buy-back</b>			<b>1.5%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.

66 Based on the actual position as at 30 April 2021, we note that the remaining CIE shareholders are slightly worse off in value terms as a result of the buy-back (as evidenced by the reduction in the after tax NTA per share).

67 However, in order to highlight the potential impact of the buy-back pricing mechanism on CIE shareholders, we have also considered the pre and post buy-back position of CIE shareholders under two further scenarios (both of which are hypothetical):

- (a) **Scenario 1** – assuming the market value of the investment in WCM increases by 10% between 30 April 2021 and the completion date of the buy-back; and
- (b) **Scenario 2** – assuming the market value of the investment in WCM decreases by 10% between 30 April 2021 and the completion date of the buy-back.

68 The position under Scenario 1 is as follows:



**Scenario 1 - CIE shareholders comparative position assuming market value of investment in WCM increases by 10% <sup>(1)</sup>**

	<b>Financial position as at 30 Apr 21 adjusted for 10% increase in investment \$000</b>	<b>Proposed share buy-back<sup>(2)</sup> \$000</b>	<b>After Proposed Transaction \$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other current assets	142	-	142
Investment in WCM	56,357 <sup>(3)</sup>	(26,579)	29,779
<b>Total assets</b>	<b>97,923</b>	<b>(68,003)</b>	<b>29,921</b>
Trade and other payables	229	-	229
Deferred tax liability (net)	2,129 <sup>(4)</sup>	-	2,129
<b>Total liabilities</b>	<b>2,358</b>	<b>-</b>	<b>2,358</b>
<b>Net assets</b>	<b>95,565</b>	<b>(68,003)</b>	<b>27,563</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.761</b>		<b>0.722</b>
<b>Buy-back price (\$)</b>		<b>0.778</b>	
<b>Reduction in post-tax NTA per share due to buy-back</b>			<b>5.1%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.
- 3 Value as at 30 April 2021 plus 10% (assumed increase for purposes of example only).
- 4 Reflects increase in deferred tax liability due to assumed increase in market value of WCM investment.

- 69 As indicated above, CIE shareholders will be worse off under the buy-back pricing mechanism if there is a material increase in the value of the WCM investment between 30 April 2021 and completion.
- 70 In contrast, under Scenario 2 (which assumes a 10% reduction in the market value of the WCM investment), CIE shareholders will be comparatively better off under the pricing mechanism as shown below:

**Scenario 2 - CIE shareholders comparative position assuming market value of investment in WCM decreases by 10% <sup>(1)</sup>**

	<b>Financial position as at 30 Apr 21 adjusted for 10% decrease in investment \$000</b>	<b>Proposed share buy-back<sup>(2)</sup> \$000</b>	<b>After Proposed Transaction \$000</b>
Cash and cash equivalents	41,424	(41,424)	-
Trade and other receivables	142	-	142
Investment in WCM	46,111 <sup>(3)</sup>	(19,446)	26,664
Deferred tax asset (net)	945 <sup>(4)</sup>	-	945
<b>Total assets</b>	<b>88,622</b>	<b>(60,870)</b>	<b>27,751</b>
Trade and other payables	229	-	229
<b>Total liabilities</b>	<b>229</b>	<b>-</b>	<b>229</b>
<b>Net assets</b>	<b>88,393</b>	<b>(60,870)</b>	<b>27,522</b>
Issued shares (000)	125,529	(87,378)	38,151
<b>Post-tax NTA per share (\$)</b>	<b>0.704</b>		<b>0.721</b>
<b>Buy-back price (\$)</b>		<b>0.697</b>	
<b>Increase in post-tax NTA per share due to buy-back</b>			<b>2.4%</b>

**Note:**

- 1 Rounding differences may exist.
- 2 Ignores transaction costs.
- 3 Value as at 30 April 2021 less 10% (assumed decrease for purposes of example only).
- 4 Reflects deferred tax asset arising due to assumed decrease in market value of WCM investment.

71 Thus, whether CIE shareholders are comparatively better off under the proposed buy-back depends on the performance of CIE's investment portfolio between 30 April 2021 and completion of the buy-back (if approved).

**Relative size of Company**

72 As indicated above, CIE shareholders not the subject of the proposed buy-back will hold shares in a much smaller company subsequent to the Proposed Transaction. In particular net assets will reduce from around \$92.0 million to around \$27.5 million and the investment in the WCM Quality Global Growth Long Short Strategy will reduce by around 45% (based on figures as at 30 April 2021).

73 Whilst we understand management fees payable to CGA / WCM are a function of the value of assets under management, the negative effect of the reduction in size of the Company is that the remaining shareholders will effectively bear a greater proportionate share of ongoing management / administrative costs of the Company than would otherwise have been the case. We note that in FY20 these costs aggregated around \$1.0 million<sup>6</sup>.

74 At the Annual General Meeting on 11 November 2020, in connection with the restructure of which the Proposed Transaction is a component part, there was mention of a potential capital raising which would have the effect of increasing the size of the Company post the Proposed

<sup>6</sup> Inclusive of transaction costs of \$372,000 relating to the numerous purchase and sale of securities consistent with the previous investment strategy of the Company. Given the subsequent change to the WCM Quality Global Growth Long Short Strategy, we would expect such costs going forward to be minimal.

Transaction thereby apportioning management / administrative expenses over a larger shareholder base. We have been advised that at the date of this report, no decision has been made by the CIE Board as to when or whether such a capital raising will take place.

### **Change in investment strategy**

- 75 As noted above, at the EGM held on 18 September 2020, CIE shareholders approved a new investment strategy for the Company's investment portfolio. A move to a global long short investment strategy managed by WCM was approved. The Company advised that 53% of votes were in favour of the resolution (to change strategy) and that 68% by number of shareholders who voted did so in favour of the change in investment strategy.
- 76 Those shareholders who did not support the change were subsequently provided an opportunity to exit their investment in CIE by way of acceptance of the WAM offer. We note that at the close of this offer WAM held an interest in the Company of 69.61%. For the purpose of our report we have therefore assumed that the remaining CIE shareholders (holding in aggregate around 30% of the Company's shares) have a preference to be invested in the WCM Quality Global Growth Long Short Strategy. We note that the Proposed Transaction provides an outcome that is consistent with this objective.

### **Opinion on Proposed Transaction**

- 77 On balance we consider that the Proposed Transaction is not fair, but is reasonable primarily for the reasons set out in paragraphs 75 and 76.

## 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 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 CIE 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 \$35,000 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 Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA 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 27 years and 35 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 Directors of Contango Income Generator Limited to accompany the Notice of Meeting to be sent to CIE 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 to CIE shareholders (other than WAM).

#### 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, CIE 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 CIE 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.

## Glossary

Abbreviation	Definition
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CGA	Contango Funds Management Limited
CIE / Company	Contango Income Generator Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
EGM	Extraordinary general meeting
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
LEA	Lonergan Edwards & Associates Limited
NTA	Net tangible asset
Proposed Transaction	Proposed buy-back of all of the ordinary shares in CIE currently held by WAM
RG 111	ASIC Regulatory Guide 111 – <i>Content of expert reports</i>
WAM	WAM Capital Limited
WCM	WCM Investment Management, LLC
WCM Global Long Short Strategy	Investment strategy proposed by WCM for the Company's investment portfolio

## LODGE YOUR VOTE



### ONLINE

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



### BY MAIL

Contango Income Generator 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: 1300 554 474

Overseas: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Contango Income Generator 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 and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

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 **10:00am on Wednesday, 14 July 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/CIEEGM2> (refer to details in the Virtual Meeting Online Guide).

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

STEP 1

### 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

For Against Abstain\*

1 Change of Company Name to WCM Global Long Short Limited

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2 Selective Buy-Back

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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STEP 2



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf 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).

STEP 3

CIE PRX2101N





## 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 virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au) prior to admission in accordance with the Notice of Extraordinary General 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 **10:00am on Monday, 12 July 2021**, 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).



#### BY MAIL

Contango Income Generator 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)