21 November 2012

Dear Premium Shareholder,

**WAM Capital Limited and Premium Investors Limited merger**

I am writing to you as the founder and chairman of WAM Capital Limited (WAM Capital) with the intention of gaining your support for the merger by voting in favour of the transaction and to encourage you to become a WAM Capital shareholder.

**Your support for the merger**

On 14 September 2012, WAM Capital announced a proposed merger with Premium Investors Limited (Premium) via a Scheme of Arrangement. I believe the proposal is fair and equitable for both Premium and WAM Capital shareholders. Under the proposal, WAM Capital will acquire 100% of Premium shares. All Premium shareholders are being given the choice to:

- receive WAM Capital shares (scrip consideration)
- receive cash
- or receive a combination of both cash and WAM Capital shares

If you elect to receive WAM Capital shares you will receive:

- WAM Capital shares at an exchange ratio set by reference to the adjusted pre-tax net tangible assets (NTA) for WAM Capital and Premium\(^1\); and
- one WAM Capital option for every WAM Capital share issued.

The Independent Directors of Premium have unanimously recommended that you vote in favour of the scheme, in the absence of a superior proposal.

**I believe the merger is attractive for Premium shareholders and I encourage you to vote in favour of the scheme.**

**Become a WAM Capital shareholder**

I encourage you to consider becoming a WAM Capital shareholder and accept the scrip alternative detailed in the Scheme Booklet.

By becoming a WAM Capital shareholder, you will benefit from:

- a company, managed by Wilson Asset Management, with an outstanding performance track record - WAM Capital’s investment performance is 17.8% pa since inception in 1999;
- a company that has a history of paying fully franked dividends to its shareholders - illustrated in the graph on the following page; and
- the WAM Capital Board and its investment manager Wilson Asset Management having a record of keeping the company’s expenses as low as possible. WAM Capital has a competitive management expense ratio (MER), significantly lower than Premium\(^2\).

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\(^1\)Adjusted to deduct deferred tax assets and to treat unpaid transaction costs as liabilities. Refer to the Scheme Booklet.

\(^2\)Before performance fees and brokerage.
**WAM Capital option**
If you elect to receive WAM Capital shares you will be granted one WAM Capital option for every WAM Capital share you receive. These options are issued to you at no cost. The options give you the right but not the obligation to acquire WAM Capital shares at an exercise price of $1.60 per option at any time up to 31 July 2013. The options trade on ASX under the ASX Code WAMO and give you the opportunity to sell the options or purchase additional options should you wish. The last price they traded was 3.5 cents on 19 November 2012.

**WAM Capital's dividends**
The Board of WAM Capital announced on 5 November 2012 the intention to pay a fully franked interim dividend of 6.0 cents per share for the half year ending 31 December 2012. This represents an annualised fully franked dividend yield of 7.4%.

If the Scheme is implemented, those who elect to receive WAM Capital shares as consideration for their Premium shares will be entitled to receive the WAM Capital interim dividend anticipated to be paid in April 2013. This assumes the implementation in accordance with the current timetable and these shares are held on the dividend record date.

**WAM Capital Dividend History**

**Scrip consideration - example calculation of new WAM Capital shares and options**
If you held 10,000 Premium (PRV) shares and you elect to receive 100% of WAM Capital shares you would receive:
- 5,019 WAM Capital shares; and
- 5,019 WAM Capital options.

This is based on 0.5019 implied exchange ratio outlined in the Scheme Booklet. Based on the last sale prices, these WAM Capital shares and options would have a value of $8,155.87 (WAM) and $175.66 (WAMO) respectively.

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5 The dividend payment is reliant on profitability and the availability of franking credits.
6 Based on 19 November 2012 closing price.
7 Based on pre-tax NTA as at 31 August 2012 and estimated transaction costs as disclosed in the Scheme Booklet.
I encourage you to read the Scheme Booklet carefully. If you have any questions regarding the proposed merger or WAM Capital, I encourage you to contact me on (02) 9247 6755; email info@wamfunds.com.au; or feel free to attend our upcoming AGM and shareholder presentations, please refer to the enclosed invitation.

I look forward to meeting you at either the WAM Capital presentations or at the Scheme Meeting and welcoming those of you who elect scrip consideration as WAM Capital shareholders.

Yours sincerely

Geoff Wilson
Chairman