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Management plan gives choices - chairman

TIM HUNTER Last updated 05:00 25/07/2011

Investors in struggling listed investment fund Salvus Strategic Investments will be asked to choose between cashing up or continuing under new management.

Salvus, a listed fund whose shares have been trading at a significant discount to its net assets of about \$19 million, said last week it had signed a new investment management agreement with Milford Asset Management, run by high-profile analyst Brian Gaynor.

If shareholders do not approve the deal, the alternative is to vote on winding up the fund and returning cash to investors.

Salvus chairman Kim Ellis said the idea was about giving people some choices.

"While people want to see change, rather than just give them a formal vote on liquidation we have been ... looking around other options and basically exhausted other things we looked at. But this one has got enough legs to put up to shareholders. So they can make a call."

The option has triggered concern in some quarters.

Chris Swasbrook of fund manager Elevation Capital, owner of about 5 per cent of Salvus, said even if some shareholders wanted to continue under Milford, those who wanted to exit should be allowed to do so. Rather than offer a binary vote, he said, the firm should provide a third option allowing shareholders who wished to exit to realise the asset while those who wanted to continue under Milford could stay on.

The large discount to net assets means investors stand to make an immediate gain if Salvus' investments are sold.

The fund's main assets are stakes in listed firms such as Skellerup, Freightways, Pumpkin Patch and Mainfreight.

"All it's about is people being treated fairly," said Swasbrook.

"We want to realise the discount between the price we paid and the net asset value that prevails ... The board has signalled they were going to give people the opportunity to vote on that. This is another deviation in that path."

Milford, owner of about 17 per cent of Salvus, will not be allowed to vote on the management proposal.

Ellis said the fund was too small to be sustainable without change. "In this market it's all about performance so if performance can be lifted in the upper quartile there's presumably potentially an appetite to support an expansion of the business."

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