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Elevation Capital questions Fisher Funds' renewed Marlin contract

Paul McBeth | Thursday October 25, 2012 | **5 comments**

BUSINESSDESK: Fund manager Elevation Capital is questioning Marlin Global's decision to renew Fisher Funds' management of the listed investment firm ahead of next week's annual meeting, where Elevation is lobbying to wind up the company.

- Marlin defends Fisher Funds renewal in face of shareholder revolt
- Fisher-managed Marlin Global faces fight over future from new shareholder
- Fisher Funds gets lower performance fees, faces refunds
- Fisher Funds confirms departure of Marlin Global team

Elevation is urging Marlin shareholders to consider why the firm's independent directors backed renewing a management contract before the annual meeting, and with the knowledge of the resolution to wind the company up.

The fund manager wants Marlin shareholders to support a resolution at the November 1 annual meeting to end its management contract with Fisher Funds and liquidate the portfolio, saying the expiry of the contract could have offered the lowest termination fee in years.

"Why did the independent directors not want to hear from all shareholders as to the future of Marlin Global before reappointing the manager," Elevation asks in a presentation published on its website.

Elevation put its proposal to Marlin on October 9 and met with independent directors six days later. The following day Marlin announced the renewal of the Fisher Funds contract, before later publicly announcing Elevation's resolution.

Marlin independent directors Alistair Ryan and Carol Campbell scotched the proposal, saying Elevation is a rival fund manager and had only been a shareholder for a matter of weeks. Likewise, Fisher Funds' Carmel Fisher says Elevation's hostile approach was aimed at making a one-off gain and investors should be looking for a long-term investment focus.

Elevation denied claims it is a short-term investor, saying the average holding period for an investment is 21 months. It claims liquidating Marlin and selling up would see shareholders get a return of about 81 cents per share, a 14% premium to the current trading price of 71 cents.

The fund manager says Marlin is already returning capital to shareholders through its managed dividend policy that pays out more than the investment firm earns.

"There exists better performing and a more diverse range of international equity offerings available to shareholders with more attractive risk/reward profiles," the Elevation presentation says.

In 2009, Marlin shareholders turned down a similar bid from investor Gary Cross, who sought to change the investment company into an open-ended managed fund after the gap between its share price and net asset value widened.

He and his supporters forced Marlin to order an independent report to look at delisting and restructuring, and said ways the investment vehicle could improve its NAV were through share buy-back schemes, implementing a managed dividend policy or winding up.

As at October 23, Marlin's net asset value was 82.35 cents after deducting treasury stock from the buy-back programme. Its five biggest assets are Germany's Biotest, Stratec Biomedical, Wirecard, Israel's Sarin Technologies and US-based Orthofix.

Marlin wrote down 80% of its stake in recycling paper company Fook Woo after the Hong Kong-listed firm was suspended from trading amid allegations of fraud. Fook Woo accounts for about 1% of the Marlin portfolio.