

THE NATIONAL BUSINESS REVIEW

8:59AM Thursday 11 July 2013

Hot Topics: [Chch consents](#) | [Surveillance bills](#) | [Housing bubble](#)

Shareholders Assn queries Marlin manager decision, backs wind-up

Paul McBeth | Wednesday October 31, 2012 | [7 comments](#)

BUSINESSDESK: The New Zealand Shareholders Association, which advocates for retail investors, is questioning Marlin Global's decision to roll over a management contract with Fisher Funds and will back a resolution to wind up the investment company at tomorrow's annual meeting.

Chairman John Hawkins says the NZSA's legal advice indicates nothing in the management contract stopped Marlin's board from getting an outside appraisal of Fisher Funds' performance when it came up for renewal and that option should have been reviewed.

A review "would have been sensible after a five-year period, whether or not the Elevation proposal had arisen," Mr Hawkins says. "This would have also clarified the conflicting claims from the company, the manager and Elevation which are very difficult for shareholders to compare and sort out."

The NZSA will back a resolution by Marlin shareholder Elevation Capital Management, a rival fund manager to Fisher Funds, to liquidate the Marlin portfolio and return capital to investors as a means to press the issue and force an independent review of Marlin's future.

Elevation claims Marlin shareholders have been poorly served by the company, which has consistently traded at a discount to its net asset value and underperformed passive funds. Winding up the company offers investors upside of some 15% with a return of some 81 cents, it says.

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.

Fisher Funds' Carmel Fisher said Elevation's hostile approach was aimed at making a one-off gain and investors should be looking for a long-term investment focus.

Mr Hawkins says the real issue for Marlin shareholders is the company's structure, which has potential for conflicts of interest with a representative of the manager sitting on the investment company's board.

"The recent sudden departure of two experienced and respected independent directors, along with the appointment of a new portfolio manager, had also concerned some shareholders.

"The remaining independent directors sit on two other investment companies run by the same manager and this



Shareholders Association chairman John Hawkins

- [Elevation Capital questions Fisher Funds' renewed Marlin contract](#)

has inevitably led to questions about their independence," he says.

The NZSA will seek a change to listing rules so directors holding multiple board seats operated by the same external manager will not be considered independent.

In 2009, Marlin shareholders turned down a bid from investor Gary Cross 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.

The shares fell 1.4% to 70 cents in trading today, a 15% discount to the net asset value of 82.35 cents as at October 23 after deducting treasury stock from the buy-back programme.

Marlin's five biggest assets are Germany's Biotest, Stratec Biomedical, Wirecard, Israel's Sarin Technologies and US based Orthofix.

The company 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.