

Rensburg AIM VCT AGM - Did the directors postpone the AGM as they knew the votes?

This is an abbreviated report on the Rensburg AIM VCT AGM held on the 25th August 2015. It was a long and somewhat chaotic meeting so I have given here a summary only of events. But there was some interesting information revealed on the possible impact of the new VCT rules on AIM VCTs. A full report is on the ShareSoc Members Network.

To remind readers this company has been the focus of a long running campaign by ShareSoc (since October 2011 in fact - see www.sharesoc.org/campaigns.html for the complete history). I argued that they should change the focus from being an AIM VCT to a generalist one and tackle other major issues. Although investment performance subsequently improved, and the AIM market improvement helped, they made few new investments and consistently returned more cash to shareholders than the earnings of the company. This resulted, as expected, in the fund gradually winding down. They found it difficult to identify good AIM investments in recent years and the Chairman says in the latest Annual Report that *"The Board believes that the overall standard of new AIM issues is unlikely to improve in the near future and, consequently, following a number of successful realisations, the Board has decided that the point has been reached where the interests of shareholders are best served by recommending a voluntary winding up of the Company and the return of funds to shareholders as the Company's portfolio of AIM and other investments are realised"* - see page 3.

Those investors in the company like myself who originally claimed capital gains roll-over relief were not at all happy with the proposal to wind-up which was announced in early March. Rolled back tax liabilities effectively meant our holdings in the company might be worthless. I made representations to the Chairman, obtained the share register of the company and wrote to shareholders saying that it would be best to look for a merger or another manager willing to take it on with some arrangements made for those who wished to exit. Even before shareholders received our letter, Bill Nixon of Maven Capital Partners had written to shareholders spelling out that he was willing to make an attractive offer to take over the company, which had seemingly been rebuffed by the directors. That was the first of several letters from Maven to shareholders.

On the 18th June the Board announced that they had put the wind-up on hold as possibly attractive alternative offers had been received and on the 18th July they announced a deal for Unicorn AIM VCT to take over the company in a merger, with a tender offer for those shareholders who wished to exit.

On the 21st July the company announced that the AGM scheduled for the following day had been "adjourned" to the 25th August. This was surprising as it is very unusual for companies to reschedule AGMs without very good reasons at such unreasonably short notice, particularly as there was nothing on the agenda of the AGM that was affected by the Unicorn deal announcement. The reasons for this postponement also did not seem to be in keeping with the wording and intent of the Articles of the company. But it's worth pointing out that ShareSoc had called for shareholders to vote against all the directors and Maven had also asked for shareholders to vote against two of the three directors. The Board would have been aware of the likely outcome of the vote from the proxy counts the day before the meeting of course.

A new notice of AGM was issued for the revised date with an additional Resolution inviting shareholders to authorise the directors to "proceed with the proposals agreed with Unicorn AIM VCT..."

The above gives a brief summary of the background and past events.

The AGM was held in the offices of the fund manager (Investec) in Leeds. There were about a dozen shareholders present including Tim Emmott, a well known commentator on VCTs and an experienced VCT investor, who had also made representations on the issues and Bill Nixon of Maven. What follows below is an abbreviated and paraphrased version of what was said by all parties for the sake of brevity - please forgive any inaccuracies arising from hastily made notes on the day.

Mr Battersby, the long-standing Chairman, opened the meeting by mentioning the "adjournment" of the AGM to the later date without really explaining why it was done. Bill Nixon questioned the motives for the postponement and asked whether any of the directors would have been voted off the board if the AGM had taken place on the original date. The Chairman and Peter Smart another director consistently refused to answer that simple question. Both I and Tim Emmott supported Mr Nixon in demanding an answer to that question but we did not get one.

I also pointed out that the Articles were being misinterpreted by the board in my view [I won't go into the technical details here]. I said in essence the postponement was "sharp practice". [Comment: the failure to answer a simple question is symptomatic of the behaviour of the directors of this company].

Another shareholder asked for more details of why the board was proposing a merger with Unicorn AIM VCT, rather than some other proposition. I don't believe the Chairman got much opportunity to give an answer to this question as Bill Nixon jumped in by saying that AIM is a busted flush so why were they pursuing a merger with an AIM VCT. I pointed out the comments of the Chairman on page 3 of the Annual Report on AIM (see above). It was also pointed out that the new VCT regulations will make life particularly difficult for AIM VCTs, but the Chairman did argue that shareholders had previously indicated that they wished to remain invested in AIM companies.

There was discussion of why the board had pursued the deal with Unicorn rather than Maven and Mr Battersby said that the annual fees would have been higher with Maven - they seem to have been looking at some of the other Maven VCTs expense ratios rather than a specific proposition for this VCT from Maven. It appeared to me at that point that there had been no real engagement with Maven or anyone else other than Unicorn and I made that point, but Battersby denied it.

Mr Battersby suggested that the new VCT rules would not make it any more difficult for AIM VCTs than for generalist VCTs - several audience members suggested otherwise. [Comment: this is definitely not my understanding - the rules on qualifying investee companies that limit the age of the company will surely have an impact for example. Mr Nixon also pointed out in the meeting that a particular problem with the new rules is that investee companies cannot make acquisitions - if they do the VCT can lose VCT status altogether. Although representations are being made on this issue, that is the current understanding. As VCTs have no control over what an AIM company might do in future (unlike a private equity deal where they might be able to restrict it via an investment agreement), this would potentially make AIM investments disastrous investments for a VCT.]

I asked about whether the company had given notice to Investec to terminate the management agreement which it seemed wise to do so as it was now clear that they were either merging or winding up. Mr Battersby said no but they will be agreeing a shorter termination period. [Comment: this "loose" commitment seems very unwise and they should surely give notice soon if not immediately, or firm up the commitment for a shorter termination. Otherwise it could be quite expensive for shareholders].

We then moved on to the resolutions. A show of hands was taken on the first Resolution (the merger proposal) although the registrar then pointed out it was not necessary to do this as a poll had been called on all resolutions (by me). So the resolutions were simply called out by the Chairman who then gave the proxy counts. The poll results were announced the following morning in an RNS announcement. The significant results are:

Resolution A (to pursue the merger with Unicorn): 84% FOR.

Resolution 3 (to re-elect Mr Battersby): 80% FOR.

Resolution 4 (to re-elect Mr Anysz): 70% FOR.

Resolution 5 (to re-elect Mr Smart): 70% FOR.

Clearly there was substantial opposition to the re-election of the directors and the votes against were higher than at the last AGM, although the turn-out here was much higher. In conclusion, this was a somewhat turbulent meeting and the outcome somewhat less than satisfactory but answers to some questions were obtained. However answers to other questions were unreasonably refused, the postponement of the AGM was exceedingly dubious and the past behaviour of the board and its decisions means that I have no confidence in the directors. I will not be supporting them as directors of any public companies in future.

Roger Lawson 26/8/2015 © ShareSoc