THE STAR ONLINE

Business News

Friday, 16 September 2016

CLIM to vote against re-election of ICAP director

PETALING JAYA: In what appears to be a yearly affair, City of London Investment Management (CLIM) has sent a letter to the board of icapital.biz Bhd (ICAP) explaining its intention to oppose the re-election of a director at ICAP's forthcoming AGM on Sept 24.

This year, CLIM intends to vote against the re-election of Leong So Seh.

Last year, CLIM had opposed the re-election of three ICAP directors – Datuk Ng Peng Hong, Datuk Seri Syed Ismail Syed Azizan and Datuk Seri Md Ajib Anuar. All three directors were re-elected.

Back then, CLIM had said that there was inadequate response from the board to ICAP's performance and there was a discount between the company's share price and its net asset value (NAV). CLIM has a 15.7% stake in ICAP.

In its letter this year, CLIM said there has been no action in response to any of the points that it had raised in its letter dated Aug 26 on its concerns regarding ICAP's poor performance and persistent wide discount to the NAV.

ICAP's share price as of Thursday was RM2.38, which is a 24% discount to its NAV of RM3.13 as of Sept 14.

Among the key points raised in the letter, CLIM said that the total return in the five years to end-May 2016 for Bursa Malaysia has been 23.1% cumulative (equivalent to 4.2% per annum). In comparison, ICAP's NAV return has been 13% cumulative (2.5% per annum).

“The share price return over this period has been even worse due to the discount widening, at 6.4% cumulative (1.3% per annum),” said Simon Westlake on behalf of CLIM.

CLIM also noted the continued extraordinarily high cash level, which has persisted at over 50% for three years, and which shareholders have been paying fees for fund management and investment research services.

“Cash at each calendar year-end since ICAP was launched (Dec 31, 2005 to Dec 31, 2015) has averaged 39%. ICAP is clearly operating with surplus cash, which, in our opinion, should be returned to shareholders,” said Westlake.

While ICAP’s NAV has increased by 4% for the 12 months to May 31, 2016, its share price actually declined.

“The discount (between the share price and the NAV) averaged 22% in 2016 versus 20% in 2015. Neither the level nor the trend is acceptable and CLIM is disappointed that the board has again failed to take any action to address this problem,” added Westlake.

CLIM noted that ICAP had previously mentioned that embarking on share buy-backs could, in fact, cause the fund’s NAV to deteriorate.

“Repurchasing shares at a discount to the NAV will actually increase the NAV per share and in CLIM’s opinion, this would be a sensible use of ICAP’s cash, particularly in view of the manager’s apparent shortage of investment ideas,” said Westlake

CLIM has urged the board to consider all options and to formulate a strategy to reduce the discount from its present unacceptable level.