

iCapital.biz founder Tan to quit over Laxey takeover bid

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Tan Teng Boo, founder of iCapital. biz Bhd, has announced his intention to retire as fund manager of the closed-end fund in response to a takeover bid by Laxey Partners Ltd, a European hedge fund and iCapital substantial shareholder.

In a statement to the media yesterday, Tan urged all share owners of iCapital.biz to remember why they invested in the fund in the first place and to vote wisely to protect their long term interests.

Tan claimed that Laxey's track record is extremely disappointing. He said the share price for Laxey's The Value Catalyst Fund, launched in 2005, plunged by 58% when it was suspended in June 2011.

Tan also claimed that The Terra Catalyst Fund, another fund managed by Laxey Partners, has consistently traded in discounts since it was launched in February 2008. Yesterday, Laxey sent a letter out to shareholders urging them to elect Andrew Pegge, Lo Kok Kee and Low Nyap Heng as directors in iCapital. biz during the forthcoming annual general meeting (AGM) to be held this Saturday.

The letter was in response to one sent by Capital Dynamics Sdn Bhd to shareholders on Monday saying it would quit as fund manager and investment advisor to iCapital.biz should any of the three succeed being elected.

Laxey Partners has a 6.9% stake, or about 10 million shares in the closed-end fund, and the move is seen as a hostile takeover by Laxey.

Tan, who is iCapital.biz managing director (MD), will oppose the attempt and was quoted in the media as saying the objective of the three directors was short-term, or "hit-and-run". iCapital.biz was set up mainly by Tan.

According to the letter issued by Laxey, the rationale behind the attempt to place three directors on the board is their concern regarding the "substantial" discount to net asset value (NAV) that the funds have traded, and continued to trade at.

Laxey's reasoning was because the discount widened from 19.5% to 25.5% at the end of the 2011 financial year, the comparative total return to shareholders was -4.5%, while the fund manager received a 13% increase in management fee.

"Laxey has spoken to the company to take action on the discount to no apparent effect," said the letter. A request to table a resolution at the upcoming AGM was rejected, said Laxey.

In response to Tan's statement that Laxey are short-term investors, Laxey said its views were for the long-term. "The discount that the shares of the company trade at relative to their NAV simply reflects the weak investor sentiment in the company. We believe that by introducing new directors, the disparity between the current share price and NAV will be addressed to the benefit of all," said Laxey.

In 2009, Lo initiated the members' voluntary liquidation of Amanah Harta Tanah PNB2, the first such liquidation in the history of Bursa Malaysia. Low is currently the vice president of Cen-1 Partners Ltd, a corporate advisory and consultancy firm in Hong Kong.