



AVI blasts Daniel Loeb for 'extraordinary rant' and pushes Third Point to return capital

By Gavin Lumsden / 27 May, 2021 at 12:35



Third Point Investors ([TPOU](#)) hedge fund manager Daniel Loeb (pictured) is under mounting pressure to cut the investment company's wide discount after a leading UK activist accused him of showing 'unveiled contempt for shareholder rights'.

Asset Value Investors, manager of **AVI Global Trust** ([AGT](#)) and owner of 10% of TPOU's ordinary shares, has demanded the Guernsey-based fund give investors a regular opportunity to redeem up to quarter of their holdings at net asset value (NAV) minus costs.

It says TPOU's [proposals for improving shareholder value](#) published in April after a strategic review 'fall woefully short of the structural problems required to fix' the long-standing problem of the shares trading well below their asset value, currently on a discount of 17.5%.

The proposals announced by chairman Steve Bates included upping TPOU's investment in private equity and setting a long-term 7.5% discount target with tender offers - or formal

share buybacks - in three and six years' time if the discount remained wide. Analysts welcomed the moves at the time but said they did not go far enough.

Tom Treanor, AVI's head of research, has written to the board of TPOU's independent voting company, which owns 40% of voting rights through a separate class of 'B' shares, requesting its support for a general meeting of shareholders to vote on a more radical solution.

He suggested a quarterly redemption mechanism would improve liquidity in the £848m fund by offering exiting shareholders a fair value for their stakes while narrowing the discount for remaining shareholders and making the stock more attractive to new investors with the downside discount risk removed.

In the public letter Treanor claimed other investors shared his view after a webinar in February in which he said Loeb, a 17% shareholder in TPOU, subjected listeners to an 'extraordinary rant'. In excerpts picked by Treanor, Loeb defended the company's performance, objected to attempts to 'bully' him and the board in narrowing the discount and suggesting investors could always invest elsewhere.

A spokesman for Third Point said it would issue a short statement today.

Analysts at Numis Securities, TPOU's joint broker, said the company had been active in tackling the discount by buying back 5% of the shares this year. However, it was not surprised to see pressure for a bigger and quicker exit.

'AVI make a number of valid points and it is easy to see why they would want a more aggressive approach to discount control', Numis said, noting investment companies such as **TwentyFour Select Monthly Income** ([SMIF](#)) had successfully introduced quarterly exits for some investors while bringing in new holders with a share placing.

While such strategies can expose funds to 'death by a thousand cuts', the broker said TPOU was big enough to return some capital to shareholders without becoming too small. Ultimately, superior performance was needed to stimulate investor demand, it added.

Here there is a mixed picture. In the past year the shares have shot up 74% in the pandemic recovery, backed by a 56% rise in net asset value that beats the MSCI World index gain of 42.6%, according to Numis data.

Over five years performance has been more subdued with a 94% shareholder return in line with the MSCI World index.

Shares in the London-listed specialist fund added 0.7 cents or 2.8% to \$25.50 today, up from \$23.20 on 1 April when TPOU issued its proposals.

TPOU was the fourth biggest holding in AGI Global at the end of April, accounting for 5.6% of the £1bn investment trust. Its shares stand on a 6% discount and have generated returns of 54% and 138% over one and five years.

This is Asset Value Investors' second bout of activism in the UK this month. Earlier in May it attacked the ['abject' performance](#) of Asia private equity fund **Symphony International (SIHL)** and called for the removal of its board.