

# Third Point rejects AVI's call for 'ineffective' vote on buybacks

By Gavin Lumsden / 13 Jul, 2021 at 12:16



**Third Point Investors** ([TPOU](#)), the UK feeder for Dan Loeb's hedge fund, has rejected activist investors' call for an extraordinary general meeting (EGM) to tackle its double-digit discount, claiming to do so would be legally 'ineffective'.

Earlier this month Asset Value Investors and three other shareholders accounting for 17% of TPOU shares requisitioned an EGM seeking a change in investment policy in order to narrow the gap between the £900m closed-end fund's share price and the value of its assets.

Today the board of the Guernsey investment company said although it was obliged to call an EGM if more than 10% of shareholders wanted one, its articles of association and the Channel Island's law prevented shareholders from forcing it to take a course of action through the passing of an ordinary resolution.

'Shareholders have the right to amend the articles and thereby require the board to follow a particular course of action, but only through a special resolution, which under the law requires the affirmative vote of 75% of eligible shares,' it said.

This hikes the hurdle the group of shareholders - led by Asset Value Investors (AVI) and including Metage Capital, Staude Capital and Pinehurst - have to leap as an ordinary resolution can pass with a simple majority.

Analysts at Numis Securities suggested AVI, manager of **AVI Global** ([AGT](#)) investment trust, could seek to replace the board, chaired by Steve Bates, although it thought it would struggle to achieve the necessary 50% support of shareholders.

TPOU's discount has narrowed from 17% to 12% since AVI launched its public campaign against the company at the end of May, attacking what it called Loeb's '[unveiled contempt for shareholder rights](#)'.

On 6 July it wrote to the board, calling for an EGM to implement a new policy in which TPOU would sell shares from its stake in Loeb's Cayman Islands Third Point Master Fund and use the proceeds to fund quarterly buy-backs of its own shares at net asset value (NAV) less costs.

Two days later at the company's annual general meeting shareholders approved a new facility allowing investors to exchange up to \$50m of TPOU shares at a 7.5% discount for shares in the Master Fund, although it was opposed by the AVI group.

The board today said while it welcomed the views of all shareholders, AVI's proposals were not new and had been considered in the review that saw the company in April [commit to a 7.5% discount target](#), holding future tender offers if the shares did not re-rate and upping the scale of its private equity investments.

It said the reasons for rejecting quarterly tender offers were due to concern that frequent, large buybacks of shares would reduce the size of the company and the liquidity of the stock, making it 'significantly less attractive to investors and threaten its long-term viability.'

Loeb has built a reputation for activist investing in US companies so it is ironic his UK feeder fund is wrangling with some of its own shareholders. TPOU has performed strongly during the pandemic with its dollar share class delivering a shareholder return of 84.4% in the past

year that is well ahead of the underlying 55.6% growth in NAV and the 27.4% rise in the US stock market as measured by the S&P 500.

Over 10 years both NAV and share price have grown around 206%, well behind the 368% return from the US benchmark.