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Fund managers set to spill RHG board

Michael Evans

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TWO prominent funds managers have squared up for a showdown with one of the most divisive figures in the Australian business community, John Kinghorn, lashing out at the RAMS Home Loans founder's proposed share buyback at RHG and moving to spill the board.

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Geoff Wilson of Wilson Asset Management and Karl Siegling of Cadence Asset Management, who represent more than 8 per cent of shares in RHG - the remnants of the failed RAMS business - have expressed "concerns" at the buyback. They claim it has provided minority shareholders "with very limited options".

They have called a special meeting of RHG shareholders at which they will seek to remove from the board Mr Kinghorn's co-founder of RAMS Greg Jones and their Krispy Kreme co-investor John McGuigan.

They propose replacing them with Malcolm McComas, Gabriel Radzyminski and Paul Jensen.

Last week RHG announced a buyback at 88¢ for all outstanding shares in a \$243 million capital return that would see Mr Kinghorn use shareholder money to tighten his grip on the company. The proposed return is well below the company's trading price and its asset value.

Some shareholders argue the company is worth more than \$1.50 and up to \$2.

Mr Kinghorn plans to de-list the company and stop paying dividends.

"In our view, RHG should remain listed," Mr Wilson and Mr Siegling wrote.

"The board should also be committed to making available surplus cash to shareholders by way of dividends (franked wherever possible) or by return of capital."

Mr Wilson and Mr Siegling said they would propose to proceed with a buyback on terms "for the benefit of all shareholders".

Their plan attracted immediate support from funds manager David Paradise of Paradise Investments, who holds RHG shares: "We'd be looking to support them."

Mr Kinghorn, who owns 11 per cent of RHG, will not take part in the buyback, increasing his stake while his son Geoffrey, who owns 13 per cent, will keep the bulk of his shares. Together they stand to control as much as 80 per cent of the company when the buyback is completed.

RHG is running down the original mortgage book from the RAMS business when it collapsed at the height of the global financial crisis just weeks after it listed in 2007. Mr Kinghorn pocketed \$650 million and Mr Jones more than \$45 million when they sold RAMS to shareholders for \$2.50 a share.

With a fall in bank competition and higher interest rates since the financial crisis, RHG is charging among the highest rates and fees on the market, making it extremely profitable.

It is the second time Mr Kinghorn has faced a board spill after a failed tilt by the retail research house Intelligent Investor for board representation.

This story was found at: <http://www.smh.com.au/business/fund-managers-set-to-spill-rhg-board-20110331-1cnhb.html>