

AIM JOURNAL

THE ONLINE MONTHLY FOR THE ALTERNATIVE INVESTMENT MARKET

The Saba Saga highlights investor engagement issues

Despite already being into the second month of 2025, the hangover of activism from 2024 continues to ring loudly in the Investment Trust world with the much-publicised requisition of general meetings across many of these vehicles by US investor Saba Capital. They are seeking to gain representation on the boards of directors, driven by the discount to the reported NAVs and of the perceived underperformance of many trusts.

So, what has given rise to the increased focus on activism - and are Investment Trusts the only target?

The simple truth is, LSE listed companies appear to be undervalued versus contemporaries in other countries and Investment Trusts are an obvious target given their focus on investments in the very same discounted companies. It is also likely that insufficient investor engagement has driven the activist cohort to seek representation on the boards of some Trusts so they have greater visibility, and input into, the investment decisions as they happen.

That lack of engagement was laid bare in mid-January when a number of trusts were left in something of a quandary as they tried to connect with investors. Regulatory filings pushing the need to vote against the Saba proposals were being posted with a degree of regularity, suggesting that Saba's plan relied on inertia from a large part of the investor base, which would allow them to achieve their desired outcome. It's a situation that all issuers would be wise to learn from - and ensure their own IR protocols are in order.

There are three obvious starting points around engagement in better shareholder communications that a company can focus on outside of the day-to-day BAU drive to deliver shareholder value:

1. Undertaking a section 793 exercise. The 2006 Companies Act allows issuers to request that nominees disclose ultimate holder details by using s.793. There are concerns that this can be an expensive process, but by using digital tools, the cost of execution can be far lower. Avenir Registrars frequently completes these requests for clients at a fraction of the prices charged and in a far shorter time frame than legacy market participants can deliver.



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2. Regular reporting outside the standard corporate timetable will deliver better visibility of the investment portfolio and its successes, or indeed, highlight any issues at a much earlier stage allowing investors the opportunity to make informed investment choices. Quarterly updates in tandem with interim and final results will provide that additional clarity. These updates can be easily delivered via digital only existing multi channels including website reporting, RNS alerts or email. The use of hard copy postal alerts should be phased out as part of the drive to digitising the engagement process so any perceived cost barriers should not prevent increased investor engagement.

3. Investor days or forums open to all investors, outside of the AGM, and delivered in an accessible form via any number of digital investor engagement platforms such as Investor Meet Company or Proactive Investor allows investors to not just hear from the board but, also engage with it.

As we sit on the cusp of UK dematerialisation and the wider application of digitalisation generally, all equity issuers should now seek to future proof their investor engagement practices and embrace digital frameworks. With this in mind, Avenir regularly assist in developing such strategies, working in tandem with an issuer's services provider to meet the challenge.

A lack of investor engagement is a major bugbear for all investor groups and can create both inertia and a degree of animosity, especially if it is subsequently realised that better engagement could have delivered a more favourable outcome. Simple and cost-effective steps can help investors remain better informed, which in turn delivers better trust and better outcomes for all stakeholders. It could also extinguish any planned activism before it begins - or help stamp it out in the event matters progress.

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