Smith Square Partners

Advice to Investment Companies

High quality brainwork

We assist boards and managers of investment companies in handling sensitive and value-critical matters

Smith Square Partners

Smith Square Partners has extensive experience and expertise in the world of investment trusts, REITs, listed investment companies and investment managers (the “investment company” universe). The firm has acted for investment company boards in complex situations and draws on its experience in this summary brochure.

Boards of investment companies may find that their “business as usual” role is fundamentally challenged, often at short notice. When faced with potential corporate action, a board must act swiftly and with confidence in the interests of shareholders while carefully respecting its directors’ responsibilities. Obtaining high quality advice from trusted advisers is a prudent investment for boards. They should be able to turn to independent financial and legal advisory teams with the requisite experience of both investment companies and, where relevant, the complexities of the Takeover Code.

Specialist knowledge of the dynamics involved in the investment company sector within the London corporate finance advisory community is limited. Much of that expertise sits within corporate broking firms whose business model can make it difficult for them to advise on potentially contentious situations. Likewise, much of the specialist expertise required is concentrated in a relatively small number of City law firms.

Smith Square Partners is particularly well placed to assist boards of investment companies in handling such sensitive and value-critical matters. Our expertise and independence allow us to advise boards and work effectively with other specialist firms to deliver the best result.

Corporate action challenges for investment company boards

For boards of investment companies, matters outside the ordinary course of business may present directors with business-critical corporate situations. In such cases, the burden of responsibility falls almost entirely on directors to evaluate, decide and execute what is in the best interests of their shareholders.

Such corporate action may take many different forms, including fundraising events, merger opportunities, takeover approaches (either recommended or hostile), activist shareholders and notices of requisition, change of investing strategy and/or change of investment manager.

While corporate action can be sudden and unforeseen, it may stem from longer-term structural challenges, such as persistent trading at a discount to net asset value. For specialist asset class investment companies, changes to market dynamics outside the company's control may reduce share liquidity and drive a need for corporate action; shareholder-specific issues may also act as a catalyst.

Of course, boards may be proactive and initiate a strategic review. In doing so, directors must weigh all potential options against the possibility that the best outcome for shareholders is to liquidate the company's portfolio, distribute proceeds and wind up the company.

Confident and creative action by the board, based on independent conflict-free advice, may be required to unlock or preserve shareholder value.

While investment company mergers or acquisitions may provide an opportunity to bolster scale, improve liquidity and reduce management costs, several factors may restrict a board's room for manoeuvre:

- Investment companies are, by design, differentiated and so suitable merger candidates may be limited
- Even if identified, factors such as differing discount levels can make a merger impractically advantageous to one merger party over the other
- A combination will normally involve a discussion regarding (and with) the managers of the two companies which may be complex and need delicate handling
- Jurisdictional and tax issues (and their implications for shareholders) will be important and sometimes prohibitive

When in receipt of a takeover approach, boards may also face issues evaluating and, if appropriate, executing a recommended offer. Directors are reliant on external investment managers and administrators to fulfil all of the executive functions of the company. A takeover approach may therefore cause tension between the interests of the investment manager and the interests of shareholders.

Should conflicts arise, directors should be prepared to assert their authority if they believe it is the right thing to do. This might even extend to publicly defending a board's actions to the market. Carefully considered financial and legal advice should underpin the decision-making process.

Where conflicts become public, a clear shareholder engagement and communications strategy is vital

Who we are, what we do, and how we do it

Our partners provide conflict-free advice to:

- Boards (corporate and investment companies)
- Entrepreneurs and owner-managers
- Private equity firms (and portfolio companies)

Our approach is underpinned by three pillars:

- Corporate finance is about relationships, not just deals
- The best advice is rigorously objective, not cross-sold with other financial products
- Clients need to see a correlation between fees and value added

The firm's core corporate finance competence is supported by senior advisers who are experts in their sectors.

We advise corporate clients on strategic transactions:

- Capita
- Dixons Carphone
- Flutter
- Marshall
- Panasonic
- Virgin
- Wolseley

We think what differentiates us is quality:

- Quality of relationships
- Quality of ideas and analysis
- Quality of execution

Our core competence is the delivery of corporate finance advice

Our investment company capability

Smith Square's advisory heritage draws on extensive experience advising boards through unique and complex corporate events.

We were sole advisers on one of the most high-profile investment company transactions in recent years.

Coupled with a deep understanding of the dynamics of the sector is our extensive experience of the Takeover Code and its application to investment companies.

Our capability extends beyond conventional M&A and includes advising on strategic reviews, manager tender processes, debt restructuring and activist shareholder / contentious situations.

As an independently owned firm, we pride ourselves on our reputation as a trusted adviser. Our interests are aligned solely with those of our client and we work closely alongside company lawyers and brokers.

Our track record

Alternative Credit Investments plc
c.£640m | Recommended cash offer, shareholder consultation and manager selection process

- Mandated by the Board to advise on the offer from Waterfall Asset Management, a process which received significant public commentary over a period of almost 18 months
- Advice on strategy, tactics and Takeover Code considerations, including extensive shareholder consultation and a competitive manager selection process

Asian Energy Impact Trust plc
c.£140m | Strategic Board advisory

- Mandated by the Board following the suspension of trading in Asian Energy Impact Trust's shares, due to a material uncertainty in the valuation of the Company's investment portfolio
- Coordination of workstreams to progress the Board's immediate priorities and advice in relation to the Company's strategic options, including its investment management arrangements
- Advice on the selection and appointment of a transitional investment manager
- Tactical advice in relation to requisitioned General Meetings by the Company's investment manager and minority shareholder

Home REIT plc
c.£300m | Strategic Board advisory

- Mandated by the Board following the suspension of trading in Home REIT's shares in January 2023
- Advice in relation to financial and strategic options for the Company, including its investment management arrangements, engagement with Home REIT's lender, and potential offerors for the Company and its assets
- Also included advice in relation to the Takeover Code

Public Service Properties Investments Limited
c.£250m | Disposal of assets, refinancing and merger

- Mandated by the Board of a nursing home property company at the recommendation of a major shareholder, to advise on a proposed refinancing and disposal of non-core assets
- Transactions included the sale of non-core assets in Germany and Switzerland
- Led to the eventual combination of the Company with a private care home operator
- Worked alongside the Board and investment manager over a two-year period

Rockwood Strategic plc
c.£60m | Strategic Board advisory

- Mandated by the Board to provide advice in relation to strategic options for the Company, including possible mergers or changes in investment policy, concluding with the appointment of a new investment manager

Undisclosed
c. £400m | Adviser to investment manager and minority shareholder

- Mandated by an investment manager in relation to an approach for a FTSE250 property investment company which it managed
- Advice in relation to the manager’s significant minority stake and the ongoing role of the founding management team within the global private equity offeror
- Advice in relation to the Takeover Code, valuation, and tactical considerations

Investment Companies Team

John Craven
Managing Partner

John has more than 30 years' experience advising public and private companies across a wide range of commercial sectors. A co-founder of Smith Square Partners, he leads the firm's Takeover Code advisory practice and has wide experience of public market M&A transactions. John also advises investment company clients, where his depth of knowledge and ability to find practical solutions have assisted Boards in resolving a number of challenging situations.

John is an alumnus of Schroders and was Managing Director in the Credit Suisse First Boston European M&A Group. He led the corporate finance team at Bridgewell, the mid-market investment bank, and was a main board director through the firm's IPO and subsequent sale. John has several external roles in the not-for-profit sector.

Ben Mingay
Managing Partner

Ben is a highly experienced corporate financier and has advised numerous companies, public and private, on M&A, capital raisings, restructurings and capital markets transactions. He is known for his agile and determined style in providing advice to boards and leading complex negotiations, often in high-pressure and high-value circumstances.

Ben began his career at Schroders then taking on other roles in major investment banks. He was part of the senior team which helped Hawkpoint Partners to grow, leading to its eventual sale. Ben founded Smith Square Partners in 2010 with John Craven. He is a driving force at the firm, developing business relationships, being actively involved with transactions, as well as providing board level advice on strategy and corporate finance.

Ben has significant experience as a non-executive director including until recently at Homeserve plc.

Douglas Gilmour
Partner

Douglas started his career advising on asset allocation, tactical investment opportunities and portfolio risk management and is a CFA charterholder. He has been applying his keen analytical eye on investment company projects ever since.

Douglas has managed a broad range of advisory assignments for clients across a number of sectors. His transactional experience covers public offers, private acquisitions and disposals, carve outs and fundraisings. Before joining Smith Square Partners, Douglas was a member of the Corporate Finance team at KPMG where he advised corporate and private equity clients on mid-market transactions.

Andrew Hay
Senior Adviser

Andrew brings to the firm a great deal of experience at the highest levels in corporate finance with particular expertise in investment funds, property, mining and oil and gas exploration. He joined Smith Square Partners having been chairman of LGB Corporate Finance and prior to that on the board of Edmond de Rothschild in London until 2016.

He is on the advisory board of an emerging markets fund management business and a director of its India focused investment fund. He serves as trustee of several groups of trusts with large property holdings in the UK.

Andrew combines discretion, thoughtfulness and creativity when acting as a close trusted adviser for his clients, often over a period of many years.

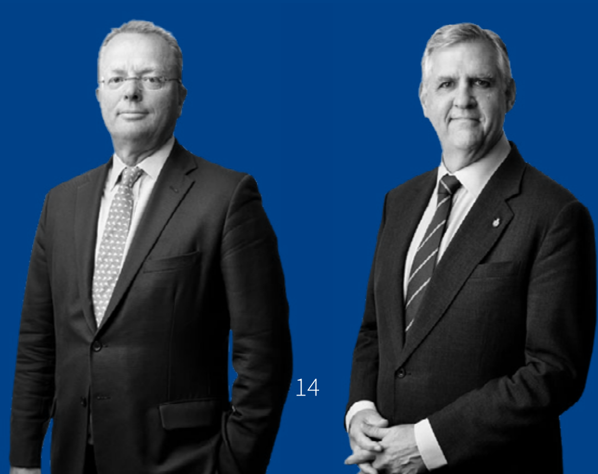
Neil Kirton
Senior Adviser

Neil has nearly three decades of equity capital markets experience and was until recently co-head of EMEA for Kroll, where he focused on M&A, shareholder activism and capital markets. He is an experienced PLC director having sat on public company boards as both an executive and non-executive director. He is currently non-executive chairman of Warehouse REIT.

Paul Orchart
Senior Adviser

Paul is a very experienced banker having been, up until very recently, the General Manager of the Commonwealth Bank of Australia in London, which he joined in 2004. Before that he was a Managing Director of Barclays Capital where he was a senior FIG relationship banker.

He had roles earlier in his career at BNP, BZW, SG Warburg and Chemical Bank. Paul was formerly Chairman of the Association of Foreign Banks (now Vice Chairman) and serves on the Advisory Council of CityUK and on the Financial Services Council of the Confederation of British Industry.



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