

Hedge funds call for break-up of Kleinwort owner

By Sam Jones in London

A group of hedge funds have called for the break-up of RHJI, the investment company founded by Timothy Collins, in a move that would pave the way for a sale or possible relisting of one of the City of London's oldest private banks, Kleinwort Benson.

In a letter sent to the board of RHJI on Monday, the hedge funds, led by Geneva-based Equilibria Capital, say RHJI's management have presided over "very clear value destruction" through "poor investments" and "weak execution".



The letter was accompanied by a series of resolutions, for inclusion on the agenda of RHJI's forthcoming AGM in June, which would oust the company's board and replace them with the hedge funds' own nominees, according to a person familiar with the matter.

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The funds also call for the return to shareholders of some of the €250m in capital held as cash by the company

If successful, the fund group's move will scupper RHJI's plans to acquire BHF Bank, one of Germany's best-known private banking groups – a transaction that is awaiting approval from German regulators.

"It is our belief that the company needs to change its strategic direction by moving swiftly to return capital to shareholders and [work towards] a full break-up under the stewardship of a different board," the letter concludes.

RHJI did not return a request for comment on Monday.

RHJI was founded in 2004 by Mr Collins, one of the biggest names in private equity and who is best known for masterminding the turnaround of Japan's Long Term Credit Bank, and acquired Kleinwort Benson in October 2009.

The company, which is listed in Belgium, and owns a number of minority holdings as well as Kleinwort Benson, has already attempted several high-profile acquisitions in Europe. The group has previously bid to acquire IKB, the troubled German lender, as well as carmaker Opel.

Since buying Kleinwort Benson, RHJI has seen its share price fall 80 per cent. The company has never paid a dividend.

“It is our belief that the company needs to change its strategic direction by moving swiftly to return capital to shareholders”

- from letter to RHJI board

According to Equilibria's letter, RHJI has accumulated accounting losses of €1.27bn since its flotation in 2005.

Kleinwort Benson is valued at a little more than €300m but could be sold for as much as €500m to the right buyer, the funds believe.

The funds' letter also excoriates RHJI for its spending on executive compensation.

Leonhard Fischer, RHJI chief executive, was paid €4.1m in compensation in 2012 – making him one of the best paid bank executives in Europe, in spite of managing one of the continent's smallest financial services companies by market capitalisation, the hedge funds complain.

The group, which as well as Equilibria includes London-listed Polar Capital, French Group Mantra Investissement, Spain's Alpha Plus and Cayman-based Overseas Asset Management, collectively owns 4 per cent of RHJI's stock.

RHJI's annual general meeting is scheduled for the 18 June.

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