

SIX UNANSWERED QUESTIONS ABOUT SABA PROPOSALS

- Proposals would give two directors control of trusts
- Disproportionate influence for dominant shareholder due to retail holdings

The Association of Investment Companies (AIC) has commented on the proposals from Saba Capital Management after the US activist investor [requisitioned general meetings at seven investment trusts](#).

Richard Stone, Chief Executive of the Association of Investment Companies (AIC), said: “With less than two weeks before the first of the seven general meetings requisitioned by Saba, their plans for these trusts leave shareholders with a number of questions.

“Saba’s proposals would initially replace the current, independent boards of the seven trusts with just two new directors: Saba’s own representative and another director nominated by the firm. Two directors would be an unusually small board for an investment trust given the functions the board performs, and having both directors so closely aligned to one major shareholder inevitably raises questions.

“Saba suggests in its proposals that further independent directors would be appointed at a later stage. In the meantime, shareholders should make sure they are comfortable giving the two new directors control over the strategy, mandate and manager – fundamentally changing the risk and return profile of the trust.

“It is important that retail investors have their voice heard, particularly when there is one large shareholder. Investors’ interests are not necessarily all the same, and given the tendency of retail investors not to vote, we are concerned that shareholders such as Saba can have disproportionate influence.

“It is helpful to see Saba publish more details of their intentions and we have highlighted questions shareholders need to consider. We would urge all shareholders to look carefully at these proposals, consider the responses from the seven boards and use their vote.”

Questions shareholders should consider on Saba’s proposals

1. Are you comfortable with a board of just two directors initially, given that investment trusts usually have three or more?
2. Are you satisfied with the independence of the proposed new directors, given that Saba has stated its intention to put itself forward as a potential new manager of your investment trust?
3. Are you clear about Saba's proposed changes to the strategy of your investment trust? If so, would this strategy meet your needs?
4. If the proposals result in a change of the underlying assets of your investment trust and a change of the portfolio's risk and reward, are you comfortable with this?
5. If Saba seeks to change the manager of your investment trust, potentially being appointed itself, are you comfortable with how it would exercise its mandate? Current unknowns include the fees a new manager may charge, levels of gearing they might use and so on.
6. If your investment trust's current board is offering shareholders a cash exit – as is the case in two out of the seven trusts – what additional advantages does the Saba proposal offer? Would the Saba proposal restrict or alter the existing exit opportunity?

Useful links

[How to vote your shares](#)

[Attending an AGM](#)

[Upcoming meetings](#)

[Shareholder voting via advised platforms](#) (for financial advisers; login required)

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