Pacific Current Group Limited (ASX:PAC) - Resolutions Pass at Poorly Attended EGM

Governance and Strategic Issues Remain at Pacific Current Group Regardless of the Company's Opaque Simplification Strategy

The extraordinary general meeting (EGM) of Pacific Current Group Limited (PAC), held in Sydney last Thursday saw the resolutions put to the EGM by the company adopted.

These resolutions were, in the opinion of a concerned group of shareholders representing 5.78% of PAC's equity, based on an incomprehensible independent experts' report; and voted on and rubber stamped by the institutional shareholders with little support, as far as we can ascertain, coming from the ordinary and real shareholders of the company.

Not that the EGM seemed to have been considered important enough by the PAC board for most of its members to deign to attend: the no-show by most of the directors, while in accord with the desultory turn-up of shareholders, was an indictment on a listed company seeking approval for major structural change, and yet another slap in the face for long-suffering minority ordinary long-term PAC shareholders.

Outgoing high-profile chairman Mike Fitzpatrick (a director since 2004) had a calendar clash, being in Melbourne where he handed over the baton of chairmanship of the Australian Football League (AFL). That was a far more interesting event, it seems; and no doubt one that brought far more prospect of ego-stroking for Mr. Fitzpatrick than the perfunctory piece of corporate theatre taking place in Sydney.

Nor were any of the Australian directors who were the masterminds behind the 2014 merger of PAC – or Treasury Group Limited, as it then was – with Northern Lights Capital Group, present and accounted for.

Holding the fort were Seattle-based director and global chief investment officer and related party Paul Greenwood, Sydney-based chief financial officer Joe Ferragina and Melbourne-based executive director Tony Robinson.

Joining the Chairman in their conspicuous absence were directors Gilles Guérin (director since December 2014), Peter Kennedy (director since June 2003), Melda Donnelly (director since March 2012), and Jeff Vincent (director since December 2014 and related party).

For such an important meeting, the shareholders who did turn up could have been forgiven for feeling short-changed.

Certainly, the representative of Advocate Strategic Investments (ASI) at the EGM, who voted against the resolutions in conjunction with other shareholders representing in total 5.78% of PAC's capital, contended that shareholders were justified in feeling that way.

Those shareholders who did bother to turn up were sent to the wrong floor, compounding the impression that they are nothing but a nuisance to the company and the insiders who run it.

The formalities were completed in a perfunctory, clinical fashion – the outcome was a foregone conclusion. A 39-page "presentation to shareholders" was presented, however, only to the Australian Securities Exchange (ASX): it was lodged as a PAC announcement after the resolutions had been voted on and passed. Naturally, given the company's habitual opacity, there was no discussion of this presentation sought or entertained (by its presenters Tony Robinson, Paul Greenwood and Joe Ferragina) in the meeting of the company's owners. The representatives of the company were there to rubber-stamp the formalities, not explain the proposals or argue for them on their merits.

It was a total waste of time, all of a piece with the way that, since the November 2014 with Northern Lights, the shareholders of TRG/PAC have seen:

Almost $140 million in write-downs in less than two years, with more inevitably to come;

About $220 million of lost market value within the same period;

About $70 million of debt saddled onto a once debt-free company;

The company's corporate structure, responsible entity business and infrastructure demolished within Australia, to become in effect managed as a debt-ridden satellite of its US-based true owners;

Substantially reduced dividends to shareholders;

Non-disclosure e.g., concerning the court case surrounding del Rey Global Investors LLC at the time of the announced merger with Northern Lights;

Misleading, deceptive and evasive statements about the operational existence, quality and quantum of the Aurora Trust's assets and funds, namely The Hermes Accelerator fund, Nereus, Tamro, de Rey and others; and

The enrichment of known and unknown executives with questionable performance rights and unsubstantiated payments made from shareholders and Aurora Trust funds (which resulted in a massive 84% protest vote from shareholders at PAC's 2016 AGM).

As far as we can gauge, none of the above will be redressed or changed by the new structure.

From our perspective the following are changes, in no specific order, we expect to see from the company as it proceeds through its simplification process:

Change in board size and composition;

Substantial cut to the excessive remuneration tendency, which has clearly rewarded under-performance at the expense of the company;

Removal of entrenched directors and executives, who have presided over the financial destruction of the company; and

Substantial improvement required in the governance of the company, particularly in areas of strategic and enterprise risk management.

What PAC needs to do to recover its position in the burgeoning Australasian market place is to assertively market its "investment brand", by consistently articulating its:

Disciplined and exacting strategic planning process;

Corporate growth and capital allocation strategy (organic or through acquisitions, distribution, product research and development (R&D), share buy-backs, debt and dividend policy;

Marketing and distribution strategy

Value drivers behind financial results and future desired state;

Targeted financial and operational performance metrics;

Distinctive tangible and intangible assets, that is, what sets the company apart;

Consistent and credible transparency and timely disclosure; and

Corporate governance policies and best practices.

If the current board will not accept the need for these actions and their prompt execution, it is time for company's shareholders to find one that will.

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About ASI

ASI is a Melbourne-based independent investment management firm that provides institutional and sophisticated investor clients with customised alternative investment strategies. The firm's senior investment team uses its unique, company-specific, value-oriented investment approach, with a strong focus on equity special events and credit opportunities. ASI's approach is focused on the preservation of capital through extensive and rigorous investment analysis on a position and portfolio basis. ASI is the manager and adviser to the Advocate Partners Constructivist investment strategy. Shareholder constructivism is about advocating an owner's perspective in relation to how a public company is governed and operated, in order to build the conditions necessary for its equity value to appreciate. Advocate Partners an associate of ASI is the holder of Pacific Current Group Limited shares.

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