



AST FUND SOLUTIONS CASE STUDY

CREATING AN ACTIVIST DEFENSE STRATEGY

OVERVIEW

- Two of AST Fund Solutions' clients sought to conduct a mutually beneficial transaction in which the advisor would assume investment advisory oversight of a number of the manager's funds.
- An activist hedge fund had purchased shares of one of the closed-end funds and solicited against key proposals in order to coerce an opportunity to realize immediate gains.
- AST Fund Solutions, through a combination of strategic advisory services, ownership intelligence and proxy solicitation, successfully defeated the hedge fund's agenda.



SITUATION:

Two Clients and an Activist

A privately-owned investment management company sought to sell its mutual fund assets and had struck a deal with a leading investment advisor to assume control of the funds. To proceed with the transaction, the manager needed the shareholders of all the funds in question to approve a new investment advisory agreement with the buyer.

Both firms are clients of AST Fund Solutions. Both had engaged us on their behalf in this deal. In effect, our skin in the game was doubled as to ensuring a favorable outcome for our clients.

In itself, the transfer of assets would be mutually beneficial for all involved and should have occurred without incident. In this instance, however, there was a wild card in the deck. An activist hedge fund had been accumulating shares in one of the selling investment manager's closed-end funds and had sent the company a letter indicating they would seek to block the sale at the next Annual General Meeting (AGM) unless they received a settlement.

With an activist in the picture, the transaction was no longer routine, and the sale was in danger.



AST'S SOLUTION: Limiting Activist Outreach

The fund manager engaged AST Fund Solutions to obtain the desired vote results, which would enable the sale to move forward despite the hedge fund's activist stance. The advisor buying the funds had previously retained AST Fund Solutions, so we found ourselves simultaneously consulting with both the buyer and seller to gain the necessary shareholder approvals for the consolidation. This was advantageous for everyone involved, because it gave AST a complete strategic overview of the situation, enabling us to better serve both parties and to facilitate contact between the two at critical junctures.

We formulated a strategy centered on: 1) the timing of the announcement, 2) circulation of proxy materials, along with help crafting effective letters to shareholders, 3) mobilizing our call center to contact shareholders, and 4) working with the fund to tailor their presentation to a key proxy advisory firm.

A proxy fight ensued. AST Fund Solutions updated its clients regularly with both detailed vote forecasts and daily surveillance of all market activity that included Ownership Intelligence reports on the funds (tracking ownership on a settlement basis using non-public data obtained as an agent of the issuers). We compiled comprehensive reports (for the Boards) identifying the record date shares held by each institutional holder, along with comprehensive shareholder base analyses and vote forecasts based on that information.



CLIENT RESULTS: Enabling the Sale

Thanks to our strategic advisory services, Ownership Intelligence reporting, and solicitation strategies, AST Fund Solutions was able to assemble and execute a successful proxy solicitation campaign. While the hedge fund failed to achieve any of its objectives, we succeeded in obtaining the votes necessary for the deal between our clients to move forward.

AST FUND SOLUTIONS – Strategic Mutual Fund Proxy Services

Understanding the priorities and concerns of mutual fund investors is critical to the outcome of shareholder meetings. For more than 40 years, AST Fund Solutions has served as a strategic partner to mutual funds and assisted them in the management of critical proxy campaigns. We offer an innovative suite of specialized advisory services and customized solutions that we tailor to each client and situation, including:

- Activist Advisory & Analytics Services
- Annual & Special Meeting Services
- Proxy Solicitation Services
- Contested Proxy Solicitation Services
- Rights Offering Information Agent Services



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