
Karl, Karl, Karl, That Don't Smell Right

Karl Siegling's **Cadence Capital** (CDM) announced a new 'superior' offer for **RHG** this morning. In conjunction with Pepper Australia, Cadence is offering shareholders 49.65 cents per share, a 1.65 cent premium to the existing offer from Resimac.

But there's a rub. The offer is 35 cents cash plus one Cadence Capital share for every 10 RHG shares held (the scrip component translates to about 14.6 cents of additional value at the last traded price).

Siegling says that, 'as a consequence of this superior proposal, CDM does not support the current proposal by the Resimac Syndicate'.

Well, it's certainly superior if you are Karl Siegling. The new deal will increase his funds under management and management fees by approximately 20%. As for the rest of the shareholders, I'm not so sure.

Instead of cash from Resimac, shareholders will get shares in a listed investment company that is not very liquid (the new shares issued would represent the past six months of traded volume in CDM shares). The premium seems miniscule given the inconvenience.

But Cadence is RHG's largest shareholder, with 17.1% of the register according to its last substantial holder notice, and has a huge say in any competing bid getting up. Siegling's statement that he 'won't support the current proposal' is a gun to smaller shareholders' heads.

I had a couple of beers with Karl after the RHG saga and I like the guy. He's done a wonderful job for investors in his fund over the past five years. Along with Geoff Wilson and myself, he fought hard to stop John Kinghorn stealing our RHG money. But this little deal looks like a Kinghorn trick of his own.