
Something Fishy at RHG

RHG's largest institutional shareholder, Australian Leaders Fund (ALF), has been selling down with gusto. There's nothing unusual about that. Fund managers sell their holdings for all sorts of reasons: portfolio weighting issues, rebalancing, changing business models, realising profits etc, etc, etc. But this particular selldown deserves further investigation.

Here's a timeline of recent events:

1 Dec 09: ALF announces it has increased its stake in RHG from 6.22% to 7.37%, an increase of some 3.75m shares. Bizarrely, the 'changes in relevant interests' section doesn't tally with the 'present and previous voting power section' but it looks like an average purchase price of about 64 cents.

14 Jan 10: ALF releases its Investment Update for December 2009. The investment company played down the potential impact of RHG's lost court case and said 'We are still confident the company will end up with cash resources approaching \$1.00 per RHG Ltd share as the mortgage portfolio runs off, double the current share price. On this basis we are more than happy retaining our substantial holding in RHG Ltd.'

4 Feb 10: RHG announces that the court case has been resolved 'commercially in a manner which RHG believes is in shareholders' best interests.' It also upgrades its 2010 profit forecast from \$55m-\$65m to \$65m-\$75m.

10 Feb 10: RHG informs the market that, on the previous day, it bought back 6,000,000 shares under the share buyback program announced on 19 November. All of the large trades on 9 November were broker crosses, meaning it was the same broker selling from one client to another.

10 Feb 10: ALF informs the market that on 9 February it sold 5,908,854 RHG shares for an average price of 62 cents each. This reduces its stake in RHG to 5.58%.

12 Feb 10: ALF releases its January trading update and, under the RHG commentary, states: 'While we still see upside in RHG, we have sold part of our holding into the Companies [sic] share buyback.'

15 Feb: ALF announces it has sold a further 2,000,000 shares in RHG and is no longer a substantial shareholder. No further disclosure will be required.

16 Feb: In an [article in the Sydney Morning Herald](#) about RHG starting over in the mortgage business, ALF's fund manager, Justin Braitling, says 'the opportunity is looking more attractive day by day'.

More attractive indeed. Braitling is much closer to the RHG management team than I am (which is a bit like saying you're closer to George Bush than Michael Moore). And he knocked back the opportunity to collect \$1.00 per share in fully franked dividends when we ran for the board.

I've no idea why he's selling his shares, but I don't like the vibe of it.