Investment trust savers are being taken for a ride by a dubious US hedge fund, says ROS ALTMANN

- **Investors need protecting from Saba's raid, says financial expert**

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The recent attack on seven UK investment trusts represents a flashing red warning sign for UK markets and long-term investment trust shareholders.

This long-standing successful British financial sector is under serious threat.

Saba, a US hedge fund with no proven record of successfully managing long-term closed-ended investment portfolios through economic cycles, has launched an aggressive offence against CQS Natural Resources Growth and Income, Edinburgh Worldwide Investment, European Smaller Companies, Henderson Opportunities, Herald Investment Trust, Keystone Positive Change and US Growth.

There appears to be no coherent rationale for targeting these seemingly unconnected range of companies – which each hold very different types of assets.

If Saba's predatory move succeeds, there are significant risks for ordinary investors. Regulators and policymakers need to act with urgency to ensure the new Consumer Duty rules do protect investors as intended.

It seems that Saba is exploiting loopholes in UK financial market protections for shareholders.

IN THE CROSSHAIRS

Trust	Market cap	Saba stake	Meeting
Herald Investment Trust	£1.25bn	18.6pc	January 22
Baillie Gifford US Growth	£816m	25.2pc	February 3
Edinburgh Worldwide	£735m	21.1pc	TBC
European Smaller Companies	£721m	29.1pc	February 5
Keystone Positive Change	£149m	29.2pc	February 3
CQS Natural Resources	£122m	25.1pc	February 4
Henderson Opportunities	£92m	23.4pc	February 4

Threat: Saba has launched an aggressive offensive against seven UK investment trusts

As Keystone chairman Karen Brade puts it, the hedge fund's opportunistic tactics seek to seize 'control of the board without a controlling shareholding, to pursue its own agenda'.

There is no proper protection for retail shareholders or small pension investors and many may not even know what is happening.

Saba's proposition lacks transparency, misleads on performance and fails any reasonable test of good governance, as well as failing to mention the inevitable conflicts and risk of higher fees.

Saba wants to dismiss the boards, replacing each company's directors with its own selected individuals, who may represent Saba interests rather than all shareholders.

Saba also seeks to take over as the investment manager, but absolutely no coherent investment strategy is being proposed.

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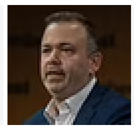
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Investors who were attracted to the long-term strategy of each of these different investment trusts have no assurance of continued exposure to these types of asset.

Other shareholders can block Saba's plans by voting against them, at least in theory. But, if the other shareholders do not know what is happening and are not encouraged to vote, the proposals will be nodded through as most retail platforms fail to alert their customers directly.

Current rules require shareholders to vote against such actions to stop them, rather than needing a positive vote in favour to authorise significant changes. This is an obvious lacuna in consumer protections and needs urgent reform to stop retail shareholders being unfairly penalised.

Regulators should review voting processes and strengthen protections for shareholders, particularly in situations where a large institution dominates the register.

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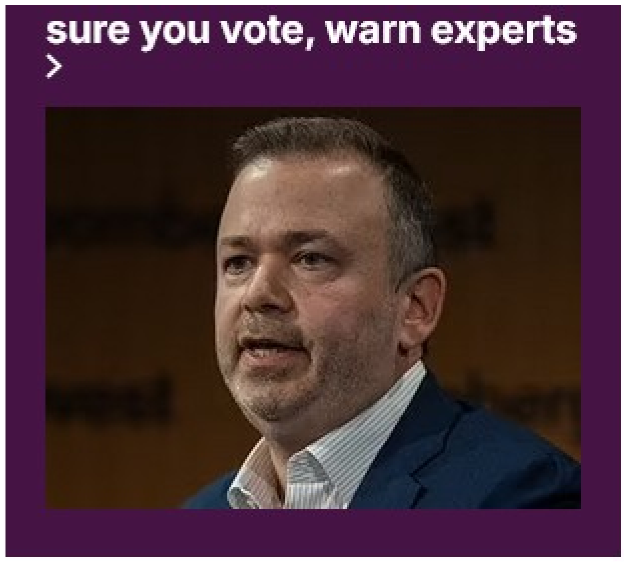
Do you hold one of the investment trusts facing a US hedge fund raid? Make

Surely it is unacceptable for a minority shareholder to seize control of these funds without regard for the costs and consequences to others.

All shareholders in these seven investment trusts need to look carefully at the proposals and vote on them.

If this hedge fund succeeds, I fear other opportunistic



institutions may follow suit, inflicting further damage on the UK's world-leading investment trust industry.

The closed-ended fund is ideal for investing in long-term illiquid growth assets and infrastructure portfolios, managed by experts.

All investors should be given a fair chance to protect their own interests.