

Fruit still bitter for Orchard investors

PUBLISHED:

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EMBATTLED investors in Orchard Funds Management have demanded a line be drawn in the sand in order to get the ownership structure resolved so cash can start being paid after a two-year wait.

The impasse between Orchard's management and the advisers to the 15,000 clients in Orchard's funds has reached boiling point after it was revealed late last week that a potential lifeline had been withdrawn.

Control of the Melbourne-based group was thrown wide open when the Brisbane Cromwell Group withdrew from the race after it failed to secure the required financing from its own backers.

That has left two parties - Taemas Capital, a private property investment group led by the former Babcock & Brown executive Robert Topfer and backed by British brothers David and Simon Reuben, and the Andrew Roberts-backed CorVal Partners - to battle it out.

Taemas Capital said it had \$100 million-plus available immediately, while CorVal's offer is to just buy selected assets.

But disgruntled investors just want a solution, otherwise the banks may foreclose the business and force a fire sale of the assets.

One manager whose clients are in Orchard is the director of Centre Capital, Robert Coyte. He said investors were losing patience and he was working on forming a united front with other advisers to force Orchard's management into making a decision.

Mr Coyte said the preferred deal was with Taemus, as it offered the holistic approach of a \$100 million cash injection that would allow investors to participate without too much dilution of their existing investments.

"Now is the time to ... give clients the chance to participate in their own solution," Mr Coyte said. "It's not a quick fix but it will give the fund a real future."

In February, Orchard said it was looking at buyers for most funds, bar its healthcare fund, and then signed an exclusive due diligence agreement with Cromwell.

KPMG is advising Orchard and its board, which includes three new independent directors who are said to want the issues resolved at the earliest opportunity.

The chief executive of Orchard, David Hinde, said the Cromwell proposal had involved a transfer of the management rights of all of Orchard's managed funds, which amount to about \$1.8 billion.

Sydney Morning Herald