

Barwon moves for control of Orchard

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Boutique fund manager Barwon Investment Partners, led by former AMP Capital executive Rob Morrison, will take control of Orchard Funds Management through a deal proposed by the Melbourne firm's board.

Under the deal, foreshadowed this week in *The Australian Financial Review*, Barwon will substantially underwrite the raising of \$6.25 million in equity, through a placement and rights issue.

Most of Orchard's existing board would step down after the transaction, while Mr Morrison would take over as managing director.

Another Barwon principal, Peter Connors, would take up a role as an executive director.

The proposed deal requires the approval of shareholders.

Orchard controls a number of separate property funds, with a \$1.6 billion portfolio. In all, there are around 15,000 retail investors in those funds, which have struggled to pay distributions and withdrawals since the financial crisis.

A group of activist Orchard shareholders quickly rejected the Barwon proposal after it was made public.

Earlier this week, the same shareholder group lodged a notice calling for a board spill of three positions, including chairman Charles Macek and acting chief executive Chris Thiris.

Yesterday the shareholder group, including Curt Roberts and Hans Sprangers, were critical of the new deal. They said the proposal contained no detail on how the larger problems at Orchard would be addressed, especially within its largest fund, the heavily indebted Diversified Property Fund.

"We definitely are going ahead with that [shareholder] meeting," one of those investors, Curt Roberts, said yesterday.

Unit holders in the funds have also put Mr Macek and his team on notice in recent days, by taking the first steps to oust Orchard as the manager of two of its funds.

Rob Coyte, from financial advisers Centre Capital, which has many of its clients in the funds, is sceptical of the proposed deal.

"It appears there's no cheque, no solution. There's nothing there to actually fix the problem," Mr Coyte said.

Responding to investor concerns yesterday, Mr Morrison said his team recognised "that the last few years have been difficult for Orchard's shareholders and fund investors".

"We think our proposal will strengthen the business and management capability and address many of the concerns that have been expressed by investors."

The Australian Financial Review

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