

**AUSTRALIAN FINANCIAL REVIEW – MOVE TO OUST COE FROM RHG BOARD**  
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**WHERE THE MARKETS APPEAR TO BE HEADING AS SLUMP CONTINUES**

Jane Searle

Former Allco Finance Group boss David Coe could lose his sole remaining listed directorship in RHG following the requisition of a general meeting by shareholders demanding better communication about capital management.

The move to oust Mr Coe and replace him with two independent directors is being led by research firm The Intelligent Investor, following failed attempts to extract detail from the board on plans to return capital to shareholders.

RHG inherited the mortgage book of RAMS Home Loans, a \$7.7 billion portfolio in run-off mode and generated a \$120 million profit for the year to June.

The Intelligent Investor's managing director, Steve Johnson, said the board had eluded questions about plans to return capital to shareholders, both outside of and at annual general meetings. "We don't have problems with the running of the day-to-day business, which is generating lots of cash. But the board needs to be clear about what capital they can distribute and when," Mr Johnson said.

Mr Johnson holds less than 1 per cent of the shares in RHG and said clients of The Intelligent Investor collectively held about 16 per cent of issued capital. Eight of these investors collectively holding more than 5 per cent of the shares were organised by Mr Johnson to issue a general meeting requisition on Monday. They are proposing to remove Mr Coe and replace him with Mr Johnson and The Intelligent Investor's research director, Gregory Hoffman.

The requisition request says these new directors would work with RHG's three remaining directors - John Kinghorn, Greg Jones and John McGuigan - to maximise shareholder value. "This will include, where possible, the return of excess cash to shareholders in the form of fully franked dividends," the document says.

RHG chief executive Glenn Goddard said the firm's AGM in November was the appropriate forum to raise questions.

"Over the last year we've worked hard to turn the company around and on the basis that we'll distribute wealth once it's earned," he said.

Other investors back the board. Cadence Capital portfolio manager Karl Siegling said: "If we are earning our return through an increased share price rather than dividend, we're not going to tell the board what to do." Australian Leaders Fund holds about 7 per cent of RHG shares. Chairman Justin Braitling said he was content to wait until next calendar year to hear the board's strategy for retained capital. "If they don't find a compelling investment opportunity, we'd expect they would distribute remaining capital to shareholders," he said.

RHG's share price has risen from around 12¢ to 48¢ over the past year, as investors realised the

disconnect between its share price and the value of net tangible assets.

At the company's 2007 annual general meeting chairman John Kinghorn said that after meeting liabilities and refinancing requirements, "the directors intend to return all net income and surplus cash to shareholders over time".RHG has not paid any dividends since then.

Mr Coe attended two of the company's four board meetings last financial year, for which he collected an \$80,000 fee.