

# Shareholder activism in Hong Kong

**Brian Liu**

Executive Director, Argyle Street Management

3 March 2025

- 1. Who is Argyle Street Management?**
- 2. What does “shareholder activism” even mean?**
- 3. Examples of activists in Hong Kong**
- 4. A live case of activism: China Merchants China Direct Investments 招商局中國基金 (133 HK)**
- 5. Q&A**

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# Who is Argyle Street Management?

“Special situations” fund manager in Hong Kong

Manages US\$ 2 billion of assets in Southeast Asia and China/HK/Taiwan

Distressed debt, bankruptcy situations, shareholder activism, litigation funding, non-ESG assets (e.g. coal)

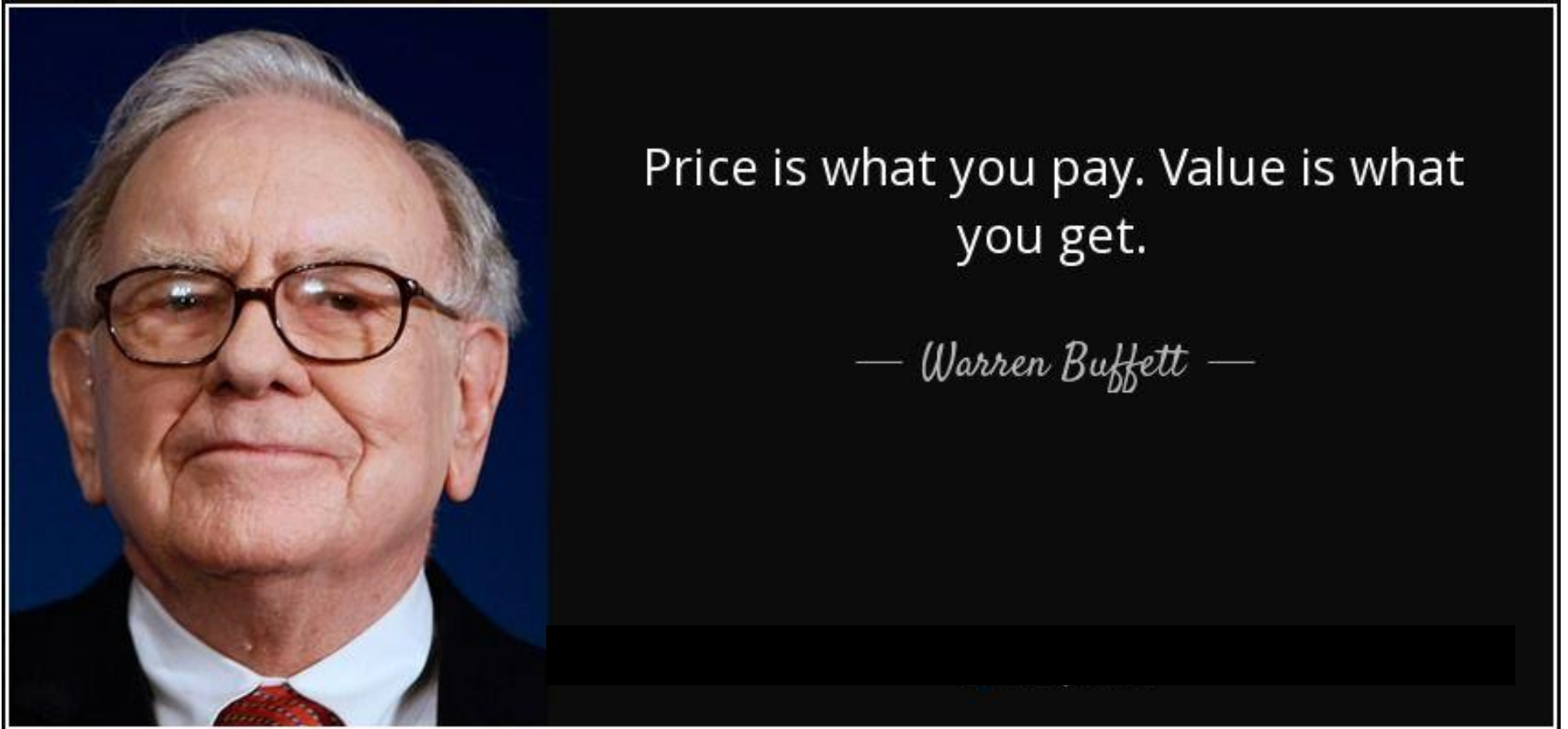
We invest in what few people want to touch (because we aren't smart)

Founded by Kin Chan (ex-Goldman Sachs)

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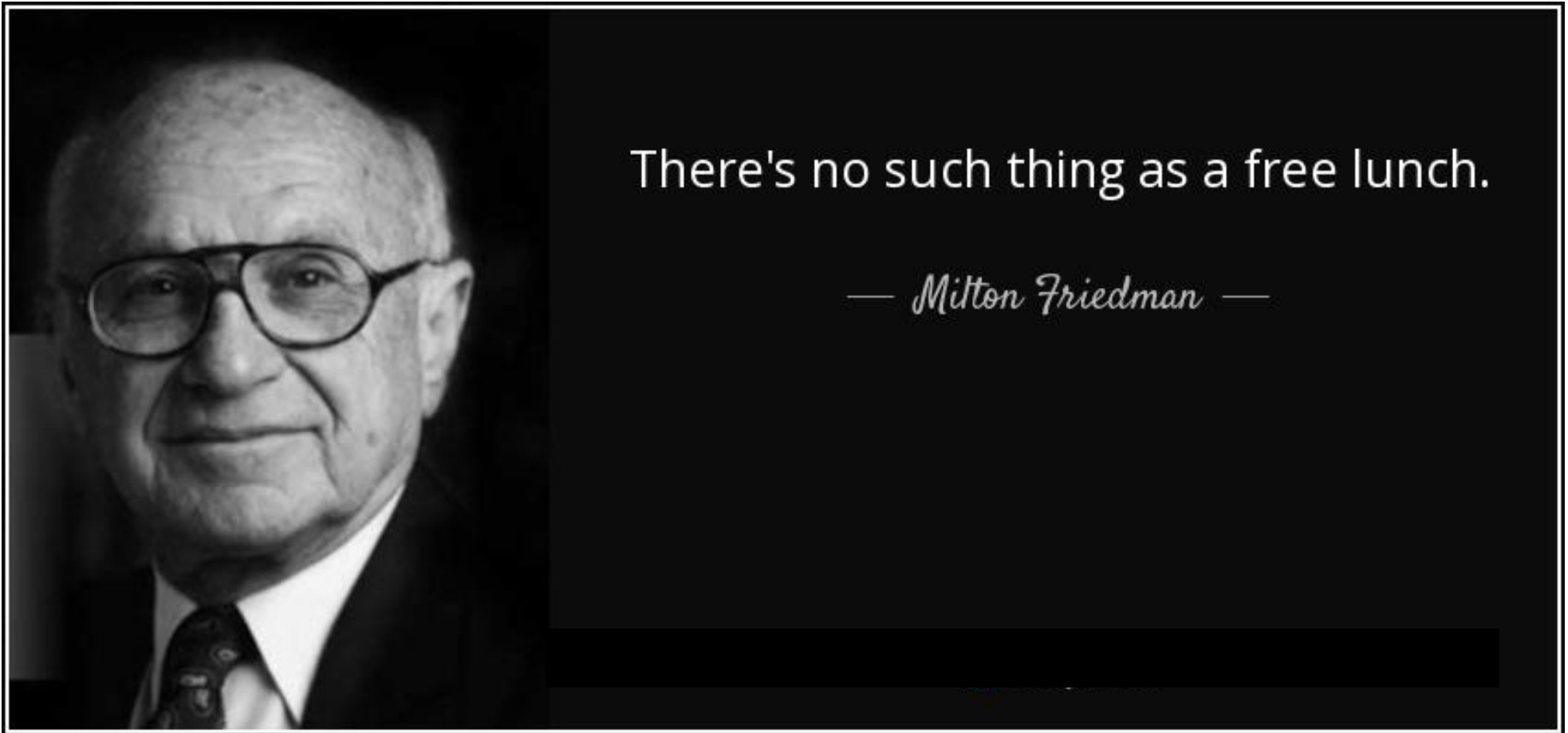
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**A wise old man once said...**

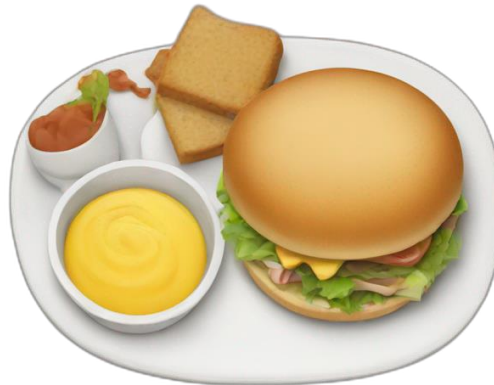


**But another wise old man said...**





**If there is no free lunch,  
how can “price < value”?**



# Thought experiment



**How much would  
you pay for this box?**

The money adds  
up to be \$1,000



**How much would  
you pay for this box?**

There is \$1,000  
inside (but the  
password is lost)



**How much would  
you pay for this box?**

There is \$1000 inside (but  
the password is lost)

**the harder to unlock,  
the lower the price**

i.e. both Warren and Milton are right

# Shareholder activism is all about



**how to pick open the lock**  
(it's very hard)



**Why do such market  
inefficiencies even exist?**



# The right question is: **Why shouldn't such inefficiencies exist?**

## **Let's face it:**

- The problem of “one share, one vote”
- Shareholder apathy and ignorance
- Regulators don't care
- Principal-agent problem (e.g. state-owned enterprises)
- Too many loopholes

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# Activist financial investors are rare in Hong Kong

Elliot Management (e.g. Bank of East Asia) - has exited HK

Silchester International (e.g. TVB)

Passport Capital (e.g. Pacific Century)

David Webb ([webb-site.com](http://webb-site.com))

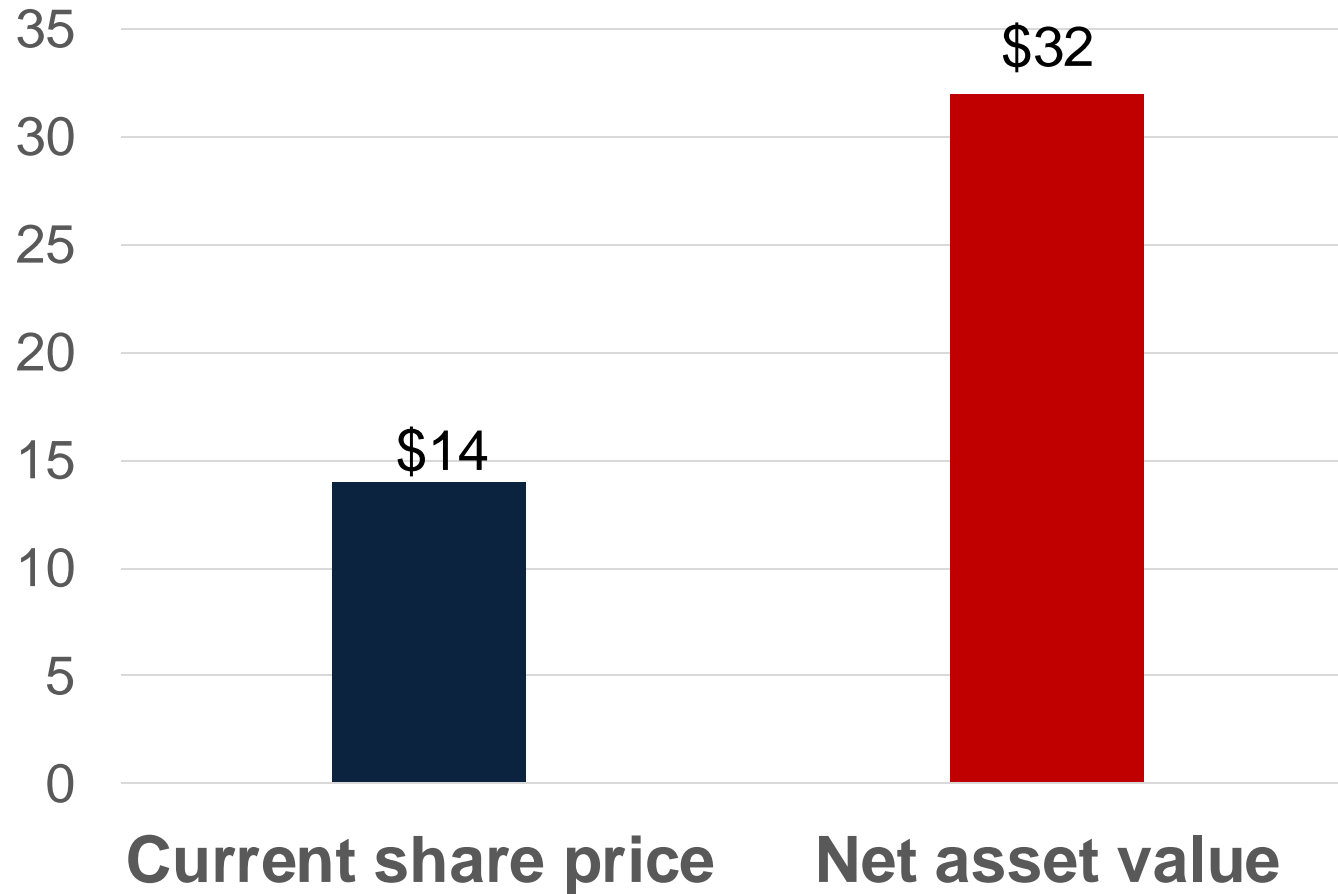
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# Case study:

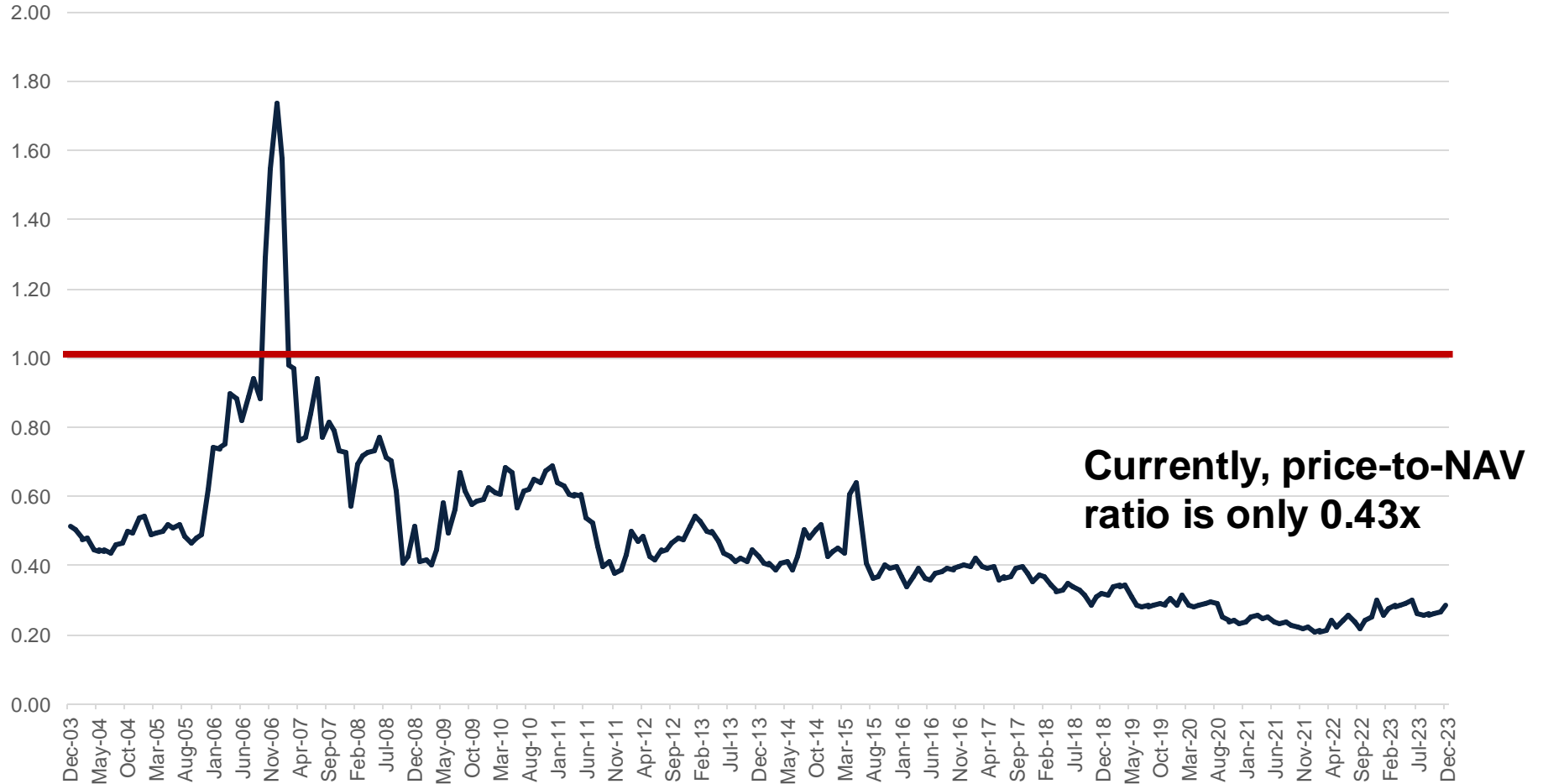
**China Merchants China Direct Investments**  
招商局中國基金

**(133 HK)**

# CMCDI is undervalued...

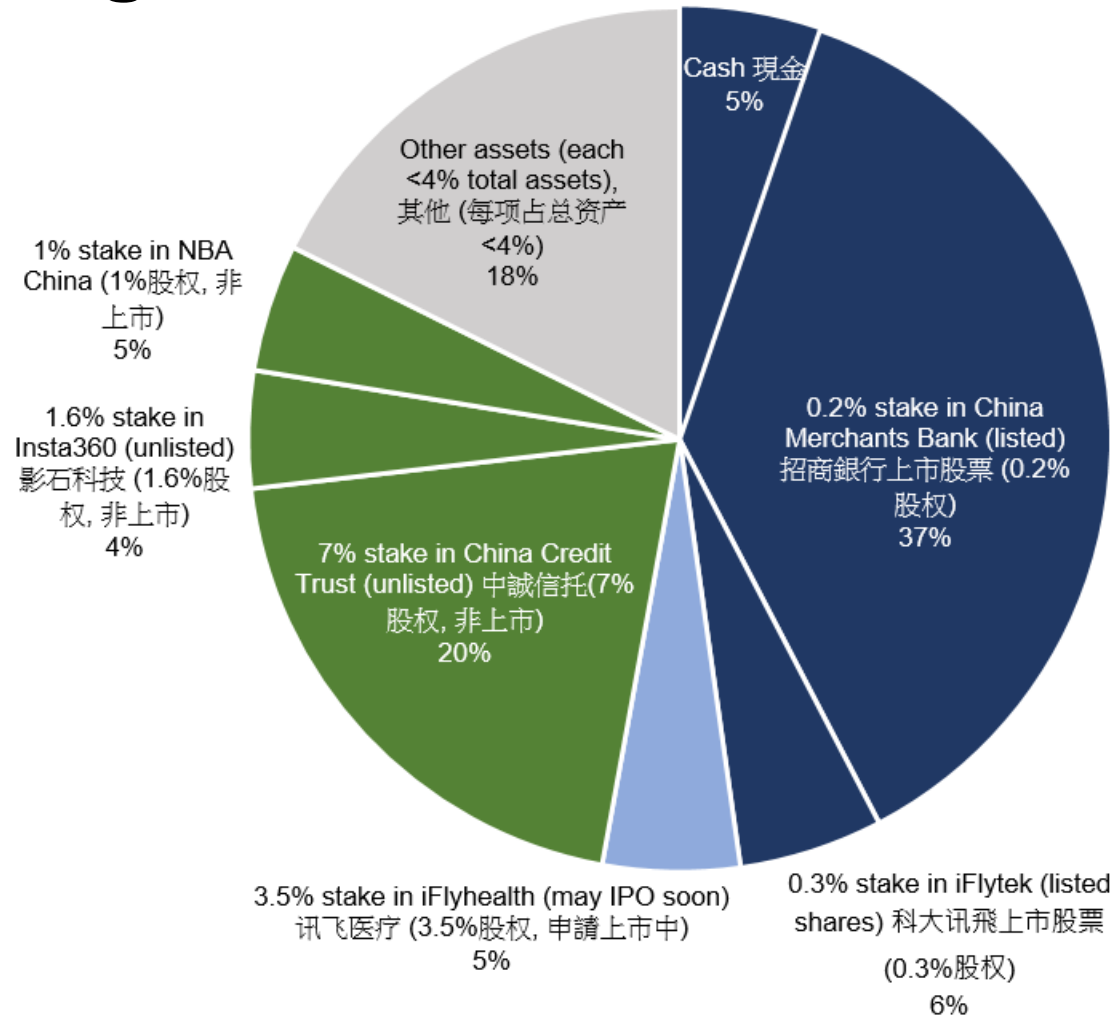


# ...and has been increasingly so over the years

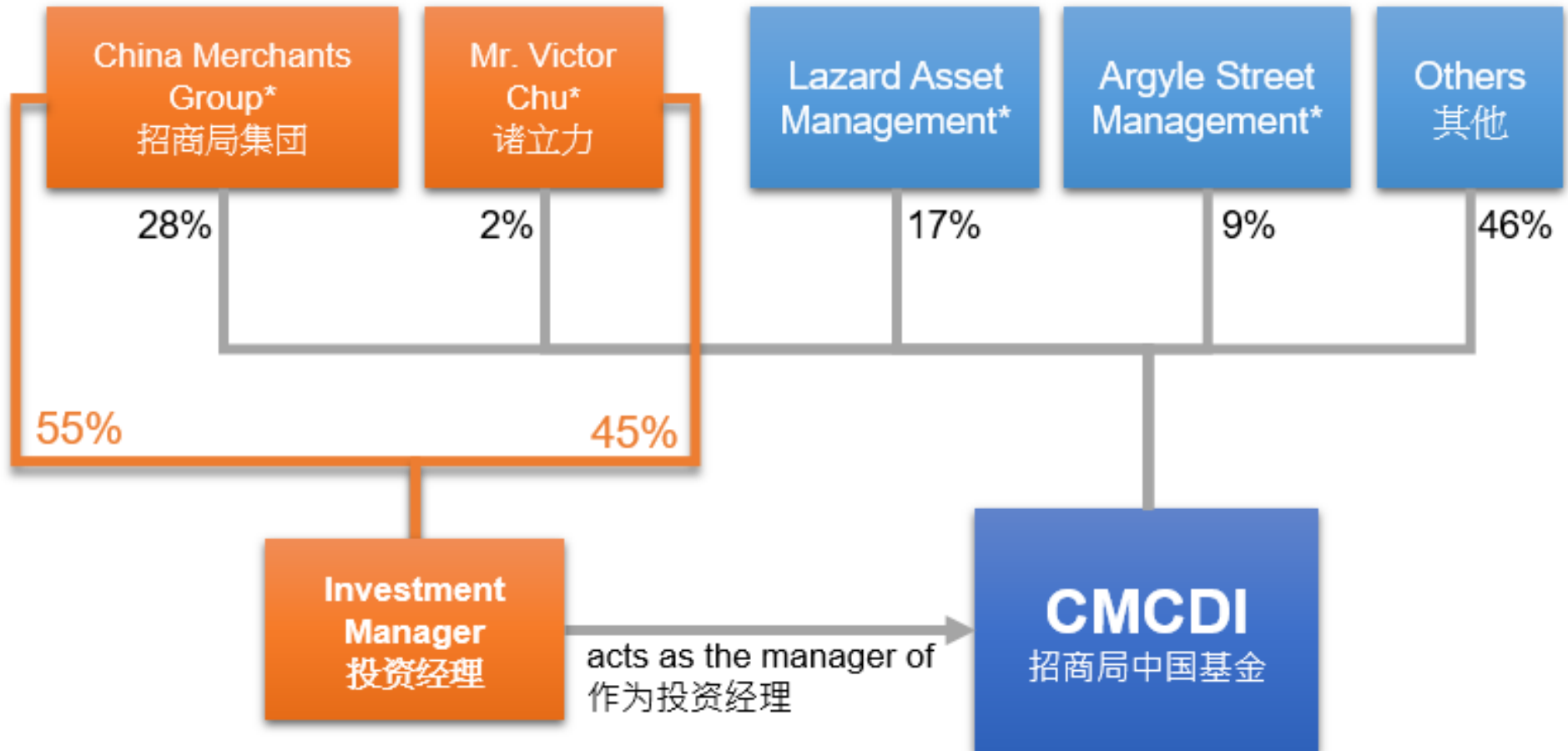




# CMCDI has good assets...



# CMCDI has a fractured shareholding structure



# Our campaign against CMCDI



## LATEST NEWS 最新消息

- 7 March 2024 HSBC closed-end fund: a case study of good stewardship 汇丰封闭式基金：卓越管理的典范
- 7 February 2024 We currently own ~7% shares 我們現持有約7%股份
- 18 January 2024 Media coverage 媒体报导：明报 (Mingpao)
- 16 January 2024 Media coverage 媒体报导：香港01网 (HK01)
- 8 January 2024 A proposal that will increase shareholder value by 112% 增加股东价值112%的方案

[Read our full proposal to China Merchants \(PDF, 26 pages\)](#)

# Our media campaign



港產基金ASM狙擊國企旗下上市

hk01.com/財經快訊/981493/港產基金...

香港

經濟 > / 財經快訊 >

撰文：黃捷  
出版：2024-01-16 09:29 更新：2024-01-16 09:33

繼早前要求安寧控股（0128）清盤派錢後，本土基金股東Argyle Street Management（ASM）又有新目標！ASM最新要求由國企招商局任管理人、在港上市封閉基金招商局中國基金（0133）「釋放價值」。

ASM目前持有約6%招商局中國基金，市值約6,900萬元。ASM指出，過去20年來，招商局中國基金的股價相對資產淨值的折讓幅度越來越大。目前，其市值 / 資產淨值比率（P/NAV）只有0.27倍。同時，ASM認為，該基金的投資組合高度集中，其最大單一資產為招商銀行A股，截至2023年9月佔基金總資產的34%。

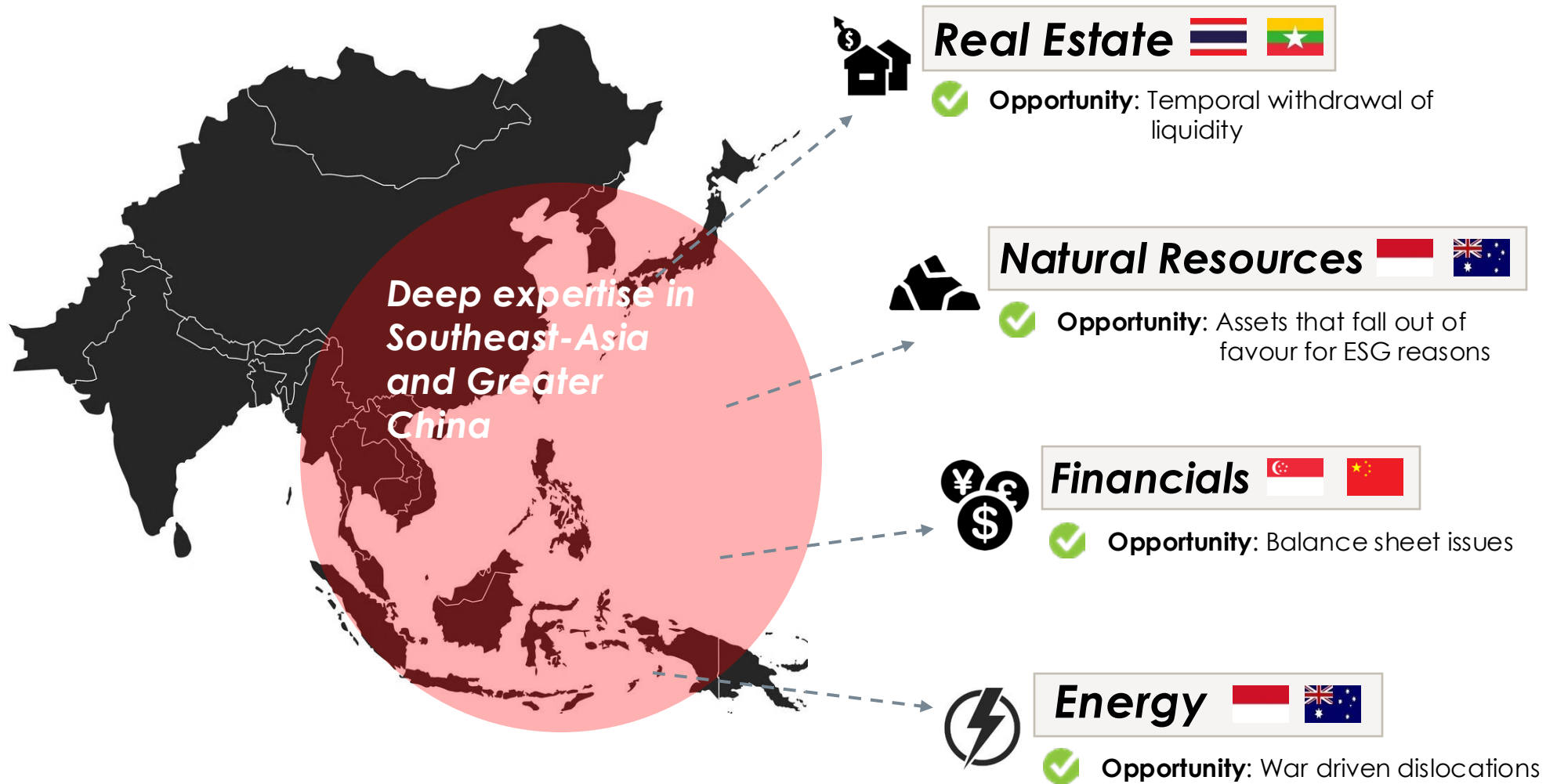
### 提3大建議 冀增加股東價值

ASM指，現向中國基金及其管理人提出一個簡單的雙贏方案，幾乎立即增加股東價值 112%，包括增加管理人未來三年的費用收入、合理化管理

**It's hard work**

# and it's complicated

- What does Lazard think?
- What does China Merchants actually care about?
- What can China Merchants do to fight back?
- What else can we do to fight back?
- How to give everybody “face”?
- Media campaign? Public pressure?





Mezzanine and structured lending



Financing corporate buybacks of distressed debt



Event Driven, activism, etc.



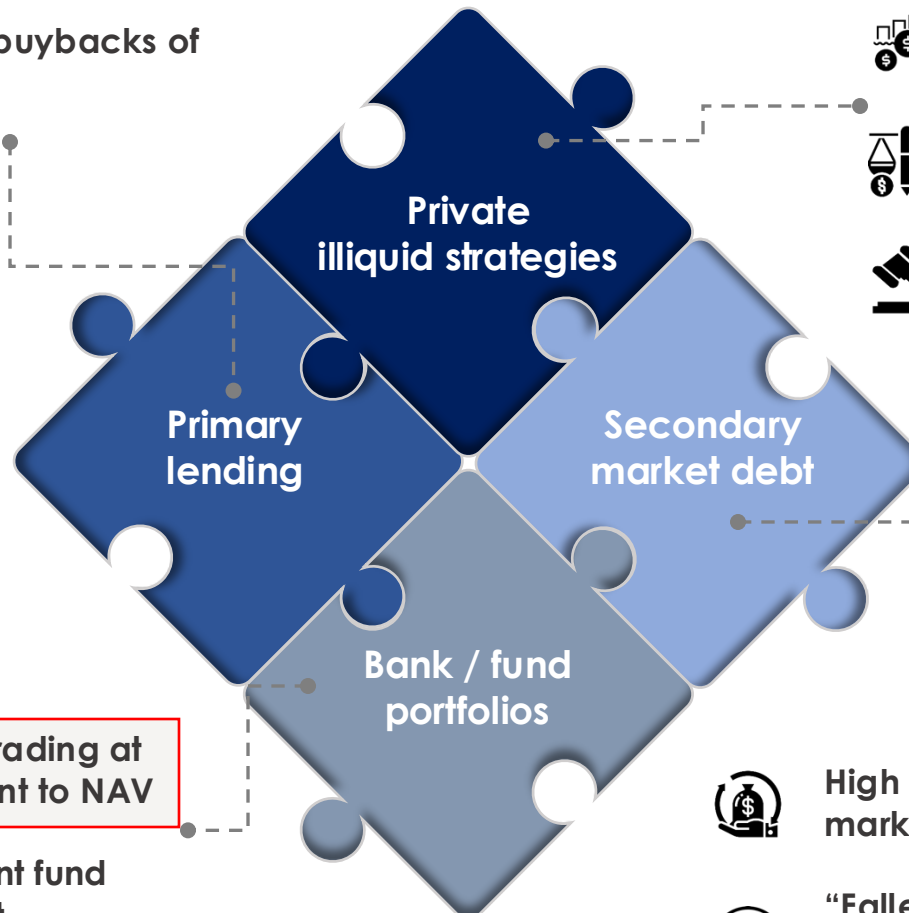
Pre-IPO companies stranded by market conditions



Forced sales by overly leveraged conglomerates



Litigation Funding



## Our Focus Today - I



Closed-end funds trading at a significant discount to NAV



Bank and investment fund portfolio divestment



High quality debt discounted due to market illiquidity



"Fallen angels" downgraded due to sovereign downgrade



# Philip Limas

## Investment Associate, Argyle Street Management

- **There are many unique ways to make money.**
- **Making money is not easy, it requires a lot of hard (and exciting!) work**
- **Finding solutions demands creativity, as nothing in the real world is purely textbook.**
- **Emphasize your downside protection. (Things can and often go south more frequently than you might want to believe)**
- **Understanding basic context is important (Try not to upset people)**
- **Figure out what you're good at and stick with it.**
- **Read extensively about anything, you won't really know when it might be useful.**
- **This is not rocket science.**

# Q&A

We do hire interns and analysts from time to time

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