

Deutsche Bank Foe Lipson Returns in Spat Over Closed-End Funds

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Deutsche Bank AG faces fresh proxy fights to accelerate liquidating two closed-end bond funds after a five-year standstill with repeat activist Arthur Lipson expired.

Lipson nominated himself and three other dissident directors to replace four on the boards of Deutsche Multi-Market Income Trust and Deutsche Strategic Income Trust in proxy filings Tuesday. He's also seeking shareholder support to elect all directors annually, instead of the funds' existing three-year staggered votes.

Lipson's hedge fund, Western Investment LLC, says it owns more than 5 percent of both funds, which are managed by Deutsche Investment Management Americas Inc. Deutsche has said it plans to make a liquidating distribution of both by the end of 2018, allowing investors to exit at net asset values. Western Investment wants that to happen this year.

"We see absolutely no justification for this extremely long and drawn-out timeline," Lipson wrote in a letter. Shareholders of both funds shouldn't have to wait and "pay over two more years' worth of management fees to Deutsche."

A representative for Deutsche Bank declined to comment.

Activist Tussles

The activist has tussled with similar funds about 40 times before. Western Investment typically buys closed-end funds trading below the net asset value of the securities they hold and agitates to boost liquidity by open-ending them, liquidating or repurchasing shares so that investors can exit at a better price.

In 2008 and 2010, Lipson ran proxy fights at other Deutsche-managed closed-end funds. He succeeded in getting two open-ended, and got 25 percent tender offers at another two. Western Investment agreed to a five-year standstill that prevented Lipson from waging further campaigns and from criticizing Deutsche Investment Management. Now he's un-muzzled.

Western Investment pointed to another fund, Deutsche High Income Trust, which Deutsche already agreed to liquidate in November, as a reason to accelerate liquidating the other two

funds. Lipson also criticized governance rules that require winning votes of the majority of shares outstanding, rather than a majority of shares voting.

Based in Salt Lake City, Western Investment became an activist in 2004. Lipson noticed inefficiencies in closed-end funds while working at Goldman Sachs Group Inc., and he's invested in them since 1984.

Before starting Western Investment, Lipson managed fixed-income research at Lehman Brothers Holdings Inc. and Paine Webber Group Inc. In 1973, he created what became the Lehman Bond Indices, which are now the Barclays Capital Bond Indices, including the Barclays Aggregate Bond Index.