



Fisher Funds

Investor Education Centre

*Making investing enjoyable, understandable
and profitable...*

All Power to the Little People

04/04/10

The one good thing to have come out of the finance company sector collapse is the acknowledgement that small investors matter.

The Government is clearly promoting improved regulation, disclosure, and education so that small investors don't get ripped off in the future.

Companies in the broad financial services sector understand that they will need to communicate more plainly and candidly to all investors if they are to win their support. The last few years have left us all wary and we need to learn to trust again.

Anything that can be done to improve the understanding of small investors, and encourage a more active role in money decision-making, is a good thing.

But actually, sometimes small investors don't realise how much power they already have.

Shareholders in listed companies have a right to vote their shares. As a shareholder, you own a part of the company you have invested in. You have provided capital for the company to run its business. It is the shareholders who elect the board of directors, and as I wrote last week, most major decisions that will impact the future of a company are made by the board of directors.

Shareholders are entitled to attend annual shareholder meetings, question the board and management of a company, and ultimately vote their shares in favour of, or against any resolution that the company puts up.

Some investors choose not to attend shareholder meetings or vote their shares because they think they are too small to make a difference.

But no shareholder is too small to matter or to be heard.

I have attended shareholder meetings where shareholders have challenged boards on matters ranging from the chief executive's pay packet through to the opening hours of a particular store in their town.

I have seen groups of shareholders vote against the appointment of directors, and their message has been well and truly heard by the chairman. In some cases, resolutions have been overturned not by one large shareholder but by hundreds of little ones who all share the same view.

What about those small investors who choose to invest through a managed fund, rather than directly into the share market?

Investing through a managed fund doesn't mean you have to forfeit your rights as a shareholder. You can, and lots of people do, express your views to your fund manager and ask them to vote in a certain way on your behalf.



Fisher Funds

Investor Education Centre

*Making investing enjoyable, understandable
and profitable...*

You can even wield power by not doing anything at all. In some cases, resolutions require a certain number of positive votes to get passed. If enough shareholders withhold their vote, these resolutions will not be passed.

Generally speaking, most investors want the same things – they want their investments to do what they said they would, they want honest and hardworking directors and management, and they don't want to pay over the odds.

The interests of small investors are the same as those of large investors, and increasingly, the power is too.

Making investing enjoyable, understandable and profitable...