



Adding Integrity to your Investment checklist.

Investing, like many other aspects of the modern world, is changing rapidly to include softer considerations which would previously have been ignored, and the integrity of the senior management team is rapidly becoming an important factor for investors to consider. Corporate history has been full of powerful leaders whose power and influence has been largely unchecked by their Boards and fellow Directors and whilst some of these characters have been immensely successful, the drive necessary to achieve that often comes with less positive personal characteristics.

It is impossible to read any biography of the late Steve Jobs and not admire his vision and determination, but also to realise that his drive left a wake of carnage in both his personal and professional relationships and that some of his behaviour would not be tolerated in today's society. More recently, Steve Wynn and Sir Phillip Green have been subject to public damnation which, in the case of Steve Wynn, resulted in his being ousted as CEO of the Company bearing his name, as well as being forced to sell his shares in that Company. The consequences have not been solely reserved for the individuals involved, with many of the Board Members who oversaw Steve Wynn's tenure as CEO having stepped down under shareholder pressure as it became apparent that they had not fulfilling their duty in monitoring the activities of their CEO.

Whilst these instances are disappointing, is it really a matter of concern for investors? Unfortunately, the answer is very much yes. When the allegations against Steve Wynn surfaced, the Wynn share price stood at \$200, whilst it now trades at \$117 with question marks still hanging over whether the company will be stripped of its license to run the \$2.5bn Boston Encore casino. In the four days after the news broke, investors lost around \$4.2bn of value.

Consumers are also becoming increasingly intolerant of poor public behaviour, with certain consumers boycotting brands which fall below acceptable standards. Companies are now having to become much more aware of their public image than at any time in the past. There are still plenty of PR tricks which can change the public's perception of a company's brand, but in today's increasingly transparent society, they are short term solutions to a long term problem.

Continued overleaf

The role of the Board, which was perhaps once seen as a reward for a lifetime of service, is changing. It is now incumbent upon Board Members to monitor and review the behaviour of overly powerful CEOs, not only for their own protection but to prevent potentially permanent damage to their company. The world is changing very rapidly, and it is important not to be on the wrong side of that changing trend. Thinking about the integrity of a company and its senior management is an important step for investors, in avoiding what can be very expensive mistakes.



Richard Harwood CFA
Managing Director (Jersey) and Fund Manager

www.mitonoptimal.com

This document has been issued by the MitonOptimal Group of companies. The content of this document is for information purposes only and does not constitute an offer or invitation to any person. The opinions contained in this document are subject to change and are not to be interpreted as investment advice. You should consult an adviser who will be able to provide appropriate advice that is based on your specific needs and circumstances. MitonOptimal's prior written consent must be obtained before the contents of this document are reproduced or communicated to any third party. The information and opinions contained herein have been compiled or arrived at from sources believed to be reliable and given in good faith, but no representation is made as to their accuracy, completeness or correctness. MitonOptimal's respective directors, officers, employees and associates may have an interest in the products, services or service providers occasionally referred to herein. The value of investments and the income from them may vary, and you may realise less than the sum invested. Past performance is not necessarily a guide to future performance and no guarantees are offered in respect of investment returns and/or capital invested. MitonOptimal Portfolio Management (CI) Limited (Registration No. 36763) and MitonOptimal Guernsey Limited (Registration No. 40985) are both registered in the Bailiwick of Guernsey and licensed and regulated by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended. MitonOptimal UK Limited is registered in England and Wales (Company No. 09138865). Authorised and regulated by the Financial Conduct Authority. MitonOptimal South Africa (Pty) Ltd (Registration No. 2005/032750/07) & MitonOptimal Portfolio Management (Pty) Limited (Registration No. 2000/000717/07) are regulated in South Africa by the Financial Sector Conduct Authority (FSCA). MitonOptimal South Africa (Pty) Limited (FSP No. 28160) and MitonOptimal Portfolio Management (Pty) Limited (FSP No. 734) are authorised Financial Services Provider's (FSP's). MitonOptimal South Africa (Pty) Ltd and MitonOptimal Portfolio Management (Pty) Limited comply with all the requirements of the Financial Advisory and Intermediary Services (FAIS) Act (Act 37 of 2002). MitonOptimal Jersey Limited is regulated by the Jersey Financial Services Commission (Company No. 97242). Full details on all companies within the MitonOptimal Group are available on our website (www.mitonoptimal.com).