

MERCURY ASSET MANAGEMENT

17th October 1991

Sir Adrian

Many thanks for your letter of 15th October and your comments on my paper.

I entirely agree with you that there may be a large number of companies which are not performing as well as they should be through having ineffective boards. This is indeed a difficult situation for institutional investors to sort out and they are, of course, more likely just to sell their shares. There is little incentive for one institutional investor to solicit the support of others and thereby tip them off as to his own negative sentiment. Moreover, others may well disagree. It is hard to know how one can set objective tests as to when a company or board is not performing properly.*

All best wishes for your Committee. We will look forward to seeing your interim report in due course.

* Other than the price of the shares!

Yours sincerely

Peter

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