Corporate raider Peltz triggers his biggest proxy offensive yet

Investor sets sights on board seat after entreaties behind the scenes fall flat

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Nelson Peltz may be one of the more seasoned activist investors, but in proxy fights, he is still a novice.

The 75-year-old corporate raider on Monday launched his third and biggest proxy campaign, this time against consumer goods group Procter & Gamble. He is seeking to gain a board seat after his behind-the-scenes entreaties to management failed.

With a market cap of $225bn, P&G is the largest group to face such a battle.

Mr Peltz and his hedge fund Trian Fund Management, which manages about $13bn in assets, argued that having him on the P&G board would spur the cultural and structural change he said was necessary to boost sales and gain market share.

But the company responded that Trian "has not provided any new or actionable ideas to drive additional value for P&G shareholders beyond the continued successful execution of the strategic plan that is in place."

P&G is undergoing a $10bn cost-cutting programme, and Trian is not lobbying for a change of leadership or spin-offs.

"The board is confident that the changes being made are producing results, and expresses complete support for the company's strategy, plans and management," P&G said.

So far, Mr Peltz's record in proxy fights is split. The last time he attempted to win a board seat, at DuPont, he failed. None of the four nominees Trian put up for election to the board secured enough backing from shareholders, though the vote was close.

Yet DuPont's merger with Dow Chemical, and the plan to split up the merged entity, followed Mr Peltz's suggestions for the group, and he is not said to consider the lack of a board seat a defeat.

Mr Peltz fought his first proxy battle in 2006 at Heinz, winning two out of the five board seats he had sought and earning himself a name as a formidable activist.

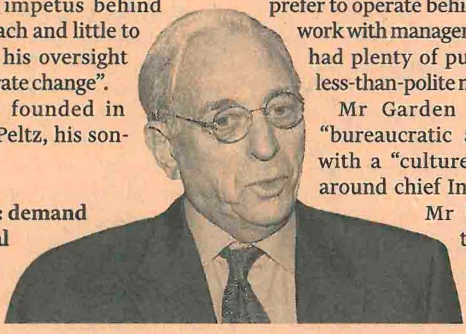
But P&G may prove to be a more difficult fight for Mr Peltz, who will have to find a way of rallying shareholders ahead of the company's annual meeting.

Some analysts said they were not inspired by Mr Peltz's arguments on why he should get a board seat.

RBC Capital Markets analysts wrote in a note that the fund "has simply highlighted P&G stock underperformance versus peers and the S&P 500, and cost-cutting programmes that have been ineffective in driving earnings growth".

Morningstar analysts said they "fail to see a major impetus behind Peltz's approach and little to suggest that his oversight would accelerate change".

Trian was founded in 2005 by Mr Peltz, his son-in-law and chief investment officer, Ed Garden, and Peter May, the president.



Nelson Peltz: demand for structural and cultural change at the group

The fund, which generally takes stakes in companies for more than five years, often seeks board seats as a way of instigating change from within.

It has had some success in doing so, arguing its way into the boardrooms of companies including BNY Mellon, Wendy's, Family Dollar, Mondelez, Ingersoll-Rand, Legg Mason and PepsiCo.

Trian's tactic is often to focus on improving a company's existing operations, rather than relying on spin-offs or takeovers to boost share prices.

The fund's founders refer to their investment style as similar to private equity, but chafe at the idea that a company has to be taken private to be turned around.

Mr Garden said this year that Trian believed big company boards too often lacked an ownership mentality. He believed a widening gulf in the past century between owners and managers had allowed the transfer of wealth from public shareholders to private equity.

While Trian tries to claim the "constructivist" moniker of activists who prefer to operate behind the scenes and work with management, the fund has had plenty of public battles with less-than-polite moments.

Mr Garden called PepsiCo "bureaucratic and dictatorial," with a "culture of sycophants" around chief Indra Nooyi, while Mr Peltz once said that the name Mondelez "sounds like a disease".