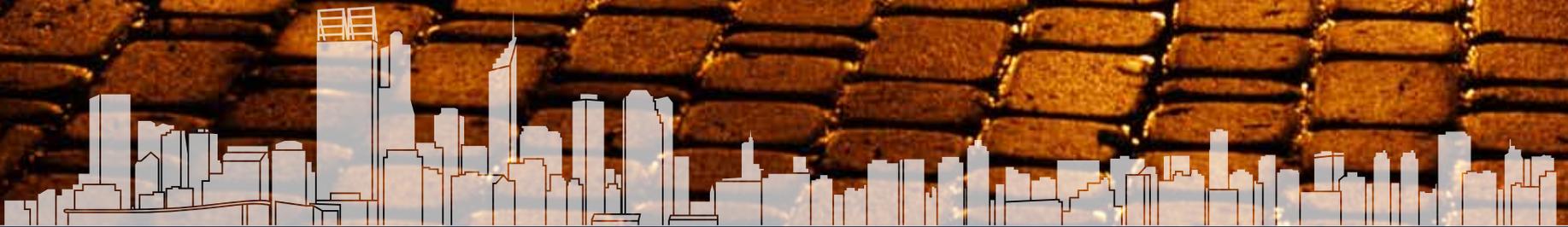




BUSINESSNEWS
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Fund Managers

SPECIAL REPORT



Key takeaways

- WA Super merged with Concept One, funds at top 10 managers increased over three years
- Two biggest entities on the list are GESB and Insurance Commission (page 24)
- Managers see opportunities despite a changing marketplace
- NWQ into new territory (page 23)



MERCHANT: Andrew Chapman was previously a senior investment adviser with Entrust. **Photo:** Gabriel Oliveira

Funds grow as dynamic shifts

A diverse group of successful wealth management businesses in Perth have good stories to tell in a market likely to face increasing uncertainty.



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THE top 10 fund managers in Perth have grown assets under management by 32.8 per cent to \$41.3 billion in the past three years, the latest BNiQ Search Engine

data shows, after a major merger and strong growth among high-end operators.

While that figure may seem to be pocket change compared with the trillions controlled out of the east coast, Perth has a big breadth of providers including superannuation funds, private equity, listed investment companies and hedge specialists.

Probably the biggest move in recent times was by WA Super, which completed a merger with former Perth-based fund Concept One in February.

Funds under management at WA Super lifted nearly 70 per cent in the past three years, driven largely by that merger.

“What I’ve seen over a period of time ... people have been looking for a little bit more active management

- Andrew Chapman

WA Super chief executive Fabian Ross told *Business News* the fund had planned well ahead to keep the new member pool through the transition.

“The merger with Concept One added about \$500 million to the portfolio and roughly 20,000 members,” Mr Ross said.

WA Super now has 60,000 members.

“We’ve managed to retain the majority of the membership base, the transition went really well,” Mr Ross said.

He said the logic behind the deal for the fund, which operates on a profit-for-members

structure, was in greater product variety and lower costs

“The advantage of the merger really was ... to increase scale,” Mr Ross said.

“It allows us to let the market know that we are serious and we want to remain in WA.

“It’s all about trying to keep our cost base at the right level, make sure our fees are extremely competitive, but more importantly provide more products and services.”

The other main driver of growth had come through focusing on regional areas and marketing the local aspect of the fund.

Mr Ross said the ongoing Financial Services Royal

Commission, which is due to report next year, was likely to lead to further consolidation in the superannuation space.

The inquiry also meant more scrutiny from members, who were becoming more attentive to how their money was being used, he said.

At third on the BNiQ Search Engine fund managers list, WA Super is the biggest non-government entity.

The biggest overall is public sector fund GESB, a state government statutory authority, which has \$27.3 billion under management, an increase of 30 per cent on the level in 2015.

About a third of that was invested in international equities, about \$3.9 billion in Australian shares, \$4.9 billion on fixed interest bonds and a further \$4.7 billion held in cash, GESB reported in its most recent annual review.

The second biggest controller of funds was another state government authority, the Insurance Commission of Western Australia, with \$5.3 billion.

That was up 17.8 per cent on the 2015 level.

Other major super funds operating out of Perth include CBH Super and FES Superannuation Fund, with the Clough Super fund having been closed.

Leaders

Andrew Chapman's Merchant Group launched a new Leaders Fund, earlier this year, with a focus on the top 100 ASX stocks.

Mr Chapman told *Business News* that fund, which will be Merchant's second, will hold both long and short positions, a flexibility that has come in handy as markets fall.

Merchant has run its Opportunities Fund, focused on smaller companies, since 2011.

He said that fund was differentiated from many others in the market because it was more actively involved in its investments.

One recent case was technology company 1-Page, which Mr Chapman described as probably the toughest deal he had worked on.

"(With) the Opportunities Fund, if needs be we'll go and restructure a board and replace people, we're really active managers in that sense," Mr Chapman said.

"(1-Page) was a shareholder activist fight with the management.



SUPER: Fabian Ross says WA Super's merger with Concept One was successful. **Photo:** Attila Csaszar

“It allows us to let the market know that we are serious and we want to remain in WA - Fabian Ross

"We obtained control of that company, removed the management, sold off the existing business and turned that around into a medical cannabis business that's going to be listed offshore in the near future."

There were a number of factors in the market that meant more activist managers who could add value would have an advantage, he said.

Trends included the emergence of robo advice and rise of exchange traded funds, Mr Chapman said.

"What I've seen over a period of time, people have been looking for a little bit more active management," he said.

Listed investments

Listed investment companies, which trade on exchanges such as the ASX, are among the market segments most accessible to the public in the funds management space.

Among those in Perth is Katana Capital, one of two funds controlled by Katana Asset Management.

The second fund, the Katana Australian Equity fund, is unlisted, although both generally contain similar stocks.

Katana co-founder Romano Sala Tenna, who is also a broker at Bell Potter Stockbrokers, told *Business News* the business managed \$55 million across the two funds.

A few hundred million dollars more was run on private mandates, Mr Sala Tenna said.

He said the Katana funds had ranked ninth out of 95 long-only equity funds in Australia analysed by Mercer in the 2018 financial year.

But the growth focus for Katana had been in the unlisted fund, Mr Sala Tenna said, with a business development manager appointed in Sydney to support marketing.

Listed investment companies had been popular when Katana launched (in 2005), he said, while more cash was now flowing into unlisted funds on wealth management platforms.



SWORD: Katana founder Romano Sala Tenna (right) and partner Brad Shallard. **Photo:** Gabriel Oliveira

“For groups such as ourselves who are independent and have genuine outperformance, we'll become more attractive - Romano Sala Tenna

Mr Sala Tenna said the changing environment driven by the royal commission would have some positive outcomes for smaller managers, with vertically integrated businesses to come under pressure.

"For groups such as ourselves who are independent and have genuine outperformance, we'll become more attractive," he said.

"In the past, we wouldn't get a look in for approved product lists because we weren't an AMP or Macquarie product."

Funds under management at West Perth-based listed investment company Bentley Capital dropped 21 per cent in the 12 months to June 30, to about \$9.4 million.

That was largely because of a revaluation of the company's investment in NSW business Keybridge Capital, caused in turn by a revalued investment in Molopo Energy.

The impact on Bentley was around \$1.4 million.

Assets under management at Orion Equities, which has a large

holding in Bentley, consequently fell \$1.3 million to be \$3.9 million.

Two other major listed investment companies are operated as subsidiaries of Euroz Securities - Ozgrowth and Westoz Investment Company.

Both are controlled by Euroz's Westoz Funds Management, with total holdings of \$252 million.

Overall, Euroz managed \$1.5 billion at June 30, up 21 per cent from June 2017.

The biggest portion is through Entrust Private Wealth Management, ranked fifth on the BNiQ Search Engine fund managers list.

In the Euroz annual report, executive chairman Andrew McKenzie said funds under management at Entrust had grown 42 per cent since it had been acquired about three years ago.

Euroz also signed a deal in August for its Prodigy Investment Partners arm to open a new fund with NSW-based Equus Point Capital, targeting capacity of \$500 million.

Ibaera filling a funding niche

West Perth-based fund Ibaera Capital is hoping to plug a funding gap for metals juniors with big projects.

BANKING ON IT: James Wallbank says Ibaera is a specialised private equity fund. Photo: Gabriel Oliveira

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THE mood along West Perth's Golden Mile is growing more positive as the state's resources industry begins an uptick in activity, and Ibaera Capital managing partner James Wallbank believes it's the right time for his fund to be in the market.

"It's a pretty good time to be an investment fund at the moment in that there is a shortage of equity in the marketplace, and we are one of the few major entities around with a chunk of money prepared to deploy into the West Perth space," Mr Wallbank told *Business News*.

"There are numerous examples of companies in the market with good management teams and good projects, but just no money.

"It's very difficult (for juniors) to get equity funding to develop and build mining projects at the moment.

"Companies need to be out there finding funding partners (earlier) ... people who can fund all the way through to an operating mine."

Ibaera, and an unnamed American co-investor, have about \$100 million of funds under

management that will be targeted to base and precious metals juniors, largely out of West Perth.

The first major deal was in October last year, when it committed to spend \$17 million on Azumah Resources' Wa gold project in Ghana.

The fund, which was raised in August 2017, has made six other minor investments.

"We bought assets at the bottom of the market, through 2013-2015," Mr Wallbank said.

"Fortunately we were able to buy a lot of those things for basically zero.

"Some we've had to let go, but we're in a fortunate position in that we've had money throughout the bottom of the cycle and been prepared to put that money into the market."

The Ibaera team has a strong link to iron ore miner Fortescue Metals Group.

For example, Mr Wallbank was a business development manager at Fortescue, while former FMG exploration manager Paul L'Herpinier heads up Ibaera's exploration and evaluation team.

Peter Hersine is another who left Fortescue, and now manages project studies for Ibaera.

Mr Wallbank said much of the group had worked together in 2010 when then chief executive Andrew Forrest had established a team to find new opportunities for Fortescue.

"That was around the time when there was a lot of (discussion) about Fortescue diversifying," he said.

The team had experience in geology and engineering, which Mr Wallbank hoped could contribute to the fund's investees.

"We try to be a lot more collaborative than just making passive investments," Mr Wallbank said.

"We're trying to help the West Perth junior market space to get mines built.

"We'll put in money and whatever support we possibly can to help them get there."

Moving ahead, Mr Wallbank said a further capital raising would be considered for late 2019 or even 2020.

To give some idea of the fund's investors, he said the previous raising had a minimum buy in of \$US5 million.

"Generally we're looking for investors that really understand the marketplace, the intricacies, and have a long-term strategic view across the cycle as opposed to

“It's very difficult (for juniors) to get equity funding to develop and build mining projects at the moment - James Wallbank

(wanting) cash flows on day one," Mr Wallbank said.

He said he had also observed private equity funds becoming more specialised.

Mining money

Globally, a range of funds target different segments of the resources market, many based outside Australia but with local offices.

One is Resource Capital Funds, headquartered out of Denver in Colorado but led by Perth's James McClements.

Its sixth fund, launched in 2013, carried \$US2 billion.

Earlier this year, RCF committed \$40 million to graphite hopeful Battery Minerals' Montepuez project, although the offer was withdrawn in June.

A further deal was an \$US80 million debt agreement with mineral sands producer MZI Resources.

New York-based Orion Resource Partners is a private equity operator focused on precious and base metals with \$US4.7 billion under management.

Orion's WA investments include a \$US39 million debt and equity deal with Blackham Resources in 2015 and a \$US98 million loan and equity arrangement with Heron Resources in 2017.

Denham Capital has offices in Houston and Perth, with funds under management of about \$US9.8 billion, while Pacific Road Capital is operated from Sydney.

Pacific is headed by RCF alumni Matt Fifield.

BNIQ SEARCH Ibaera Capital



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KNOWLEDGE: Former RBA governor Glenn Stevens is a member of NWQ's investment committee. **Photo:** NWQ



GO AHEAD: Jonathan Horton says financial market uncertainty highlighted the need for funds that seek to profit from volatility.

NWQ making volatility work

A new, more aggressive fund and the international expansion of its existing conservative strategy will be key to the growth of boutique investment manager NWQ.

Matt McKenzie

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LESSONS learned from the wreckage of the GFC will underpin a new fund launched by local boutique manager NWQ, which will target higher returns when markets are stressed.

NWQ founder Jonathan Horton told *Business News* the global macro fund, which opened in September, was the company's second management strategy, with its more conservative fiduciary fund running since May 2013.

Mr Horton said the global macro fund would fit a higher volatility, higher return profile, with a target return of 12 to 15 per cent.

By comparison, the fiduciary fund aims for about half that.

West Perth-based NWQ allocates into hedge funds, and Mr Horton said the latest offering would be focused on hedge managers in the commodities, currencies, managed futures and macro spaces.

"There's a dearth of offering in the non-institutional market (in Australia)," he said.

"The idea is that this strategy

does really well when the markets are most stressed.

"When markets are stressed, asset classes tend to disperse.

"So if the Aussie market sells off, where's that money going?"

"It might be expressed through currency, the Aussie dollar might fall so that money can go back to America or Europe.

"Interest rates may rise or fall depending on where the market is. It might be a reflection that the economy is slowing so you might get an expression through industrial and precious metals."

The experience of the GFC showed that managers in these markets tended to achieve returns uncorrelated with more traditional investments such as stocks and bonds, Mr Horton said.

"In the GFC what we learned was, you think you might be diversified but you're not," he said.

Managed futures, in particular, had received a surge of cash globally in the past decade, Mr Horton said.

Even Australia's Future Fund was putting more focus on the space, he said, with about a third of the fund's 15 per cent allocated

to hedging specifically using similar strategies.

Mr Horton said NWQ's fund would use swaps to replicate strategies from the most suitable managers out of a pool of more than 100.

That would enable access to entities with between \$500,000 and \$10 million to allocate – for example smaller family offices that otherwise might not have capital to meet minimum entry requirements for funds.

"We're a team for rent for family offices," Mr Horton told *Business News*.

Mr Horton said two of the members of the NWQ investment committee had extensive experience in this space.

"Stephen Kennedy used to run proprietary trading at Deutsche Bank globally," he said.

"He used to run a (proprietary) account in this strategy.

"Mr Kennedy has got, I would say legendary status is not an overstatement."

Mr Horton said his own previous experience included working on similar strategies for family offices.

NWQ's other big move was to open an international version

“The idea is that this strategy does really well when the markets are most stressed

– Jonathan Horton

of its fiduciary fund, a Cayman master fund called the North-West Quadrant Fiduciary Fund, in June.

Mr Horton hopes that will be part of a big expansion into international markets, which would eventually bring funds under management to about \$700 million, more than triple their current level.

That desire to access overseas markets led to the May 2017 appointment of Bank of Tokyo-Mitsubishi UFJ director of US convertible security sales, Robert Kallish, to head up a New York branch as managing director international.

A further big addition last year was when former Reserve Bank of Australia governor Glenn

Stevens joined the investment committee in September.

Mr Stevens worked for 23 years at the Reserve Bank, including 10 as governor, concluding in 2016.

With about \$200 million under management, NWQ is one of three major funds in its niche of the market in Perth.

The other two large fund managers include Packer & Co and Viburnum Funds, which have both lifted assets under management in the past three years.

Packer & Co hit \$2 billion recently, lifting from \$1.3 billion in 2015.

Viburnum, based in Nedlands, has grown money under management by around \$300 million to be about \$700 million in a similar period.

ENIQ SEARCH NWQ



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Rank	Fund manager	2018 Assets under management	2015 Assets under management	Type	Focus	Senior executive
1	GESB	\$27.3bn	\$21.0bn	Superannuation	Mixed	Acting chief executive Ben Palmer
2	Insurance Commission of Western Australia	\$5.3bn	\$4.5bn	Insurance	Mixed	Chief executive Rod Whithear
3	WA Super	\$3.7bn	\$2.2bn	Superannuation	Mixed	Chief executive Fabian Ross
4	Packer & Co	\$2.0bn	\$1.3bn	High net worth/ Institutional	Equities	Managing director Willy Packer
5	Entrust Private Wealth Management	\$801m	\$578m	High net worth	WND	Executive chairman Andrew Fry
6	FES Superannuation Fund	\$706m	\$453m	Superannuation	Mixed	Chairman Frank Sciarrone
7	Viburnum	\$700m	\$400m	Venture capital & private equity	Private equity & listed equities	Executive chairman Craig Coleman
8	Sirona Capital	\$330m	-	High net worth/ Institutional	Property, agribusiness	Managing director Matthew McNeilly
9	Euroz Securities Wealth Management	\$301m	\$170m*	Wealth management	Mixed	Managing director Rob Black
10	CBH Super	\$286m	\$232m	Superannuation	Mixed	Chief executive Donna Adam
11	NWQ Capital Management	\$200m	\$250m	Fund of hedge funds	Fiduciary, global macro	Managing partner Jon Horton
12	Merchant Group	\$200m	-	Investment	Equities	Managing director Andrew Chapman
13	Westoz Funds Management	\$252m	\$195m	Listed investment company	WA equities	Executive director Philip Rees
14	Harvis	\$100m	-	High net worth/ Institutional	Property, corporate restructuring	Managing director Kelvin Flynn
15	Ibaera Capital	\$100m	-	Institutional	Metals juniors	Managing partner James Wallbank
16	Katana Asset Management	\$55m	\$36m	Listed investment company	Equities	Co-founder Romano Sala Tenna

 17
 55

RANKED BY ASSETS UNDER MANAGEMENT

*estimate

All information compiled using surveys, publicly available data and contact with industry sources. Other companies may be eligible for inclusion. If you believe your company is eligible, please email claire.by@businessnews.com.au. WND: Would Not Disclose, NFP: Not For Publication, N/A: Not Applicable or Not Available.

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revenues from funds management activities. At Euroz, for instance, income from brokerage was little changed ...

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from one of Britain's most successful fund managers, Neil Woodford, who told The Financial Times ...

More than a man cave, it's an investment

22 May 2017 by Dan Wilkie

disappear from the suburbs. Metro Invest has partnered with funds management group Sphere Capital to create ...

Entrust Private Wealth Management

Entrust sets out to provide clients with the same investment opportunities available to the funds ... management industry, combined with the foresight of strategic financial planning and the transparency of ... Investment Advisers, Andrew Fry and Brad Gordon, in January 2003. In 2015 it merged with stockbroker and fund ...

Centaur Property Funds Management

Centaur Property was established in 2012 and is a leading Australian real estate debt fund manager ... under management or net assets: \$250.0m Nature of business (fund management): Investment Fund type: ... Private Equity Fund Manager Focus of investments: Diversified, Property Description: Hawkesbridge partners ...

Stone Ridge Ventures

Stone Ridge Ventures is a venture capital fund manager focused on building innovative technology ... companies based on Australian invented technologies. Executive/Fund Manager: Rob Newman and Matt Callahan ...

Acure Asset Management

Acure Asset Management Property Investment, Development and Funds Management company with offices ...

3rd Wave Capital

Investment Fund type: Private Equity Fund Manager Focus of investments: Capital markets, Private ... Equity, Property Executive/Fund Manager: Brettney Fogary ... 2008. Fund name: 3rd Wave Investors Assets under management or net assets: \$47.5m Nature of business (fund ...

Warburton Investment Management

Nature of business (fund management): Hedge Fund Fund type: Unit Trust Description: diversified ... Eligibility / minimum investment (000's): \$250,000 Executive/Fund Manager: Leon Warburton ...

