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INVESTOR

Weekly

Welcome to this week's edition of Investor Weekly on-line.

Please find below the headlines of our news, news analysis, money on the move and outside the square stories for this week. For the full stories simply go to the website and gain access with your username and password.

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Bill McConnell
Editor

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Editorial

The rising star of India

Bill McConnell



Right now Australian commerce, industry and investments are looking to Asia with renewed vigour. Highlighted by Prime Minister John Howard's current visit to the subcontinent, and his statements on Australia's earnest desire to participate in the Indian economic expansion, a bevy of financial services groups have jumped aboard the bandwagon. Macquarie Bank's fluttering flags at the official press conference serves well to highlight the mood.

The debate about Australia's place in Asia is a well-worn argument but with little consensus achieved. Even in investment circles, with the lure of rampant consumerism and massive population bases, Australian investors have traditionally trod warily. The Asian currency crisis in the late 1990s highlighted for many the dangers of investing in Asia. With regional economies all closely connected, governance standards an issue and political uncertainty a constant, Australian investors have historically been hesitant to jump in with any great conviction.

But with the industrialisation of China, accompanied by the swelling middle classes in India, Australian financial services companies seem at last to have taken the bait. The scramble is now on in earnest to get a foothold in the world's most dynamic region and everyone from government down wants a piece of the action.

With regards to India, the scramble was elevated to a dull roar when its central bank moved to relax constraints on overseas investors purchasing greater stakes in non-government banks, telcos

and the like last year. And cashing in on the rush, in the same year Fidelity unveiled its India fund as the first stand-alone Indian investment opportunity for Australian investors.

But sadly this week's multiple bombings in the heartland of India demonstrate too well the dangers inherent in large-scale investments. The political climate remains volatile, while the investment markets still carry many of the other burdens still associated with emerging market economies. As stated by the Financial Times' Lex columnist, and repeated by Morningstar's Phillip Gray, the gap between political instability and the climbing stock market is a yawning contradiction that must be addressed.

But as any Indian cricket fan will tell you, it's runs on the board that count most and in this regard Indian investments have certainly scored well. And inside a country that boasts more billionaires than anywhere else, opportunity must be rife. And while several hundred million middle class consumers have certainly propped up expectations, essentially the Indian market – much like the Chinese – should continue to be treated as an emerging market opportunity with all the checks and balances in place. And while Howard will undoubtedly continue to sing the praises of the investment opportunities on offer, prudence demands walking before you can run.

news

Rismark signs deal with PMI*Bill McConnell*

PMI Mortgage Insurance (PMI) has signed an exclusive strategic partnership deal with Rismark International to insure Rismark's equity finance mortgage (EFM) products.

For financial planners wanting to divest clients overly invested in their own property into alternative investment streams or to assist first homebuyers with their initial housing purchase, EFMs are an alternative to reserve mortgage products with the advantage of downside protection.

Rismark, a 50 per cent joint venture with Macquarie Bank, has also been awarded a number of formal patents from the Australian Patent Office covering EFMs – or shared equity products.

An EFM offers homeowners finance equivalent of up to 20 per cent of the value of their owner-occupied property on a zero-interest basis in return for the return of the principal amount lent plus up

to 40 per cent of any capital appreciation on the entire home or up to 20 per cent of any capital depreciation, with the original capital loan repayment not required until the sale of the house.

PMI chief executive officer Ian Graham said PMI had selected Rismark over a number of other product providers presented to them because of the depth of research behind the EFMs and the likelihood of a far quicker time to market.

"We've had a number of approaches from the promoters of various forms of products which promise similar outcomes, but it was quite clear to us from early on that Rismark were significantly ahead of the pack at that time and now," Graham said.

"We have been very impressed with their research both domestically and overseas and are confident that the products will be available some time in the third quarter

this year.

"And the unique feature of the Rismark shared equity scheme is the inclusion of downside protection."

In the previous six months, Rismark entered into mortgage origination agreements with ING Bank and Adelaide Bank.

It is also understood Rismark has secured one other major bank to provide mortgage origination services for EFMs.

Demand for EFMs is expected from three primary consumer categories being first-time home buyers, existing homeowners who wish to refinance their existing mortgage arrangements and reduce their ongoing mortgage repayments, or upgrade their house, and the asset-rich income-poor elderly wanting to access an equity release mechanism as an alternative to reverse mortgage products.

Asset Super tenders out insurance, introduces member splitting*Christine St Anne*

Industry superannuation fund Asset Super will widen its benefits to members, expanding its insurance offerings and providing the option of contribution splitting.

The decision to revamp its insurance offerings comes as the July 2006 expiry of the fund's insurance arrangement with Tower Australia draws near.

Asset Super will place its insurance out to tender, with Tower Australia expected to enter a submission.

"Asset's outsourcing policy, under its

Australian Prudential Regulation Authority licence arrangements, states that the trustees need to consider testing the market when major outsourcing contracts fall due for renewal," Asset Super general manager John Paul said.

Asset Super hopes the tender process will lead to the establishment of a new option offering an agreed amount of cover for an increased premium, reshaping its current standard death and total and permanent disability cover insurance scale and expanding the type of insurance

cover that can be offered, including salary continuance for individuals.

It will soon provide its members with the option of contribution splitting following new legislation that came into effect in January 2006.

"Enabling married or de facto members to split their contributions with their partners will be beneficial to them in a number of ways, so it was clear to us that we should offer it as an option," Paul said.

news

Ord Minnett appoints Dexia service provider, custodian

Staff

Ord Minnett has confirmed the appointment of RBC Dexia Investor Services to provide investment administration and custody services to the group's newly-launched Enhanced Income Fund.

The fund, launched on February 13 this year, is the first of a number of new managed investment schemes planned by the asset management and stockbroking firm.

Ord Minnett Asset Management managing director Walter Lewin said

the choice of Dexia was based on its reputation for flexibility and its excellent client service.

"After surveying the marketplace, we decided they were the best partner to help us execute our operating model and maximise the efficiencies of our new fund," Lewin said.

"We believe RBC Dexia Investor Services has the track record and the capabilities to support not only this fund, but also Ord Minnett's plans for future funds, which will cater to our clients requirements."

RBC Dexia managing director Alex Muto said the group was delighted with the appointment and looked forward to a long relationship with the asset manager as the new suite of funds were brought to market.

"We are very proud to be able to play a role in Ord Minnett's future growth and we are looking forward to a long-lasting partnership," Muto said.

RBC Dexia was ranked best global custodian in the 2005 and 2004 Global Investor Global Custody Survey.

IFSA moves to categorise mortgage funds

Christine St Anne

The Investment and Financial Services Association's (IFSA) mortgage fund working group is developing a set of classifications to be applied to the mortgage funds industry.

The three broad categories currently drafted include high yield funds, traditional funds and hybrid income funds.

The working group consists of about 10 managers working across the mortgage fund industry, including the traditional mortgage trust and high yield sectors.

Australian Unity Investments head of

mortgages and working group member Roy Prasad said the aim of applying categories to the industry was to improve the information provided to advisers, researchers and investors.

"We aim to provide more visibility and greater transparency to the mortgage classifications so that advisers can understand the types of investments in each fund," Prasad said.

"It is hoped that research houses will use these categories when rating the sector."

It is understood IFSA is also working on a discussion paper with a view to updating its guidance note on mortgage trusts disclosure in the next few weeks.

IFSA chief executive Richard Gilbert said with the fallout from the Westpoint scandal, the working group had taken into account such issues in aiming to improve disclosure.

The association will also initiate discussions on the issue with corporate regulator ASIC and the Australian Consumers' Association.

Colonial upgrades DSTi

Staff

Colonial First State (CFS) has enhanced its existing investment management platform system with DSTi, upgrading to the technology provider's HiPortfolio/3 and implementing a number of new HiPortfolio modules.

CFS chief financial officer Henry Capa said the new upgrades would bring

greater functionality to its accounting and tax reporting operations.

"HiPortfolio/3 will enhance system security to further strengthen our operational process and give us better reporting and greater data extraction capabilities," Capa said.

CFS currently manages \$100 billion in

funds under administration.

DSTi chief executive Ian Mathieson said: "We are proud that CFS has extended their commitment to our scalable solution as their business continues to grow."

news analysis

Removing the brats from the pack

Christine St Anne

The story of one rotten apple spoiling the whole bunch is a familiar complaint. Indeed, it's almost become the catchcry of the innocent man to blame others for sinking his ship. In the case of the Westpoint scandal, the fallout has been such that the entire property industry is in damage control with the mainstream press barking for greater involvement from the corporate regulator in overseeing the sector and to get tough on the peddlers of dodgy deals.

Crystallising for many their current dilemma, Australian Direct Property Investment Association chief executive Owen Lennie has weighed into the debate, reminding investors that while good news travels fast, bad news travels faster still.

Lennie called for investors to recognise that Westpoint's syndicated property products differed from the mezzanine finance loan investments ASIC was currently investigating. Although slightly less quick off the mark, there was a great deal of 'good news' for the Westpoint Property syndicate investor, he said.

He reassured investors that syndicates based on sound investment properties would continue to provide investors with

growth and income without unnecessary risks.

Similarly, the mortgage funds industry has also come under criticism with reports from research houses Zenith and Standard & Poor's (S&P) questioning whether many funds in the sector could continue to perform with increasing competition to source loans and a benign interest rate environment. In fact, S&P's recent report on the sector resulted in more downgrades than upgrades.

The Investment and Financial Services Association's (IFSA) move to categorise the mortgage funds industry is recognition the industry has changed both in size and composition. According to Australian Unity Investments head of mortgages Roy Prasad, mortgage funds had netted consistent investment flows in excess of \$2 billion, with the industry now worth \$20 billion.

As the baby boomer generation transitions towards retirement, the scramble for yield-oriented products has intensified, with many mortgage funds now diversifying into hybrid, mezzanine and high yield products. This trend has caused a re-think for the industry.

Prasad, who is also chair of the IFSA mortgage fund group, said investors now needed to recognise the types of investments mortgage funds invested in. As such, the more traditional vanilla-type mortgage funds need to be distinguished from the more yield-oriented products.

Importantly, research houses will also need to recognise the differences when applying their ratings to the sector. Indeed, Zenith's mortgage fund report noted with concern the proliferation of more 'exotic' instruments that mortgage funds now invested in, highlighting the potential risks for investors.

Prasad said: "There are currently 38 funds listed under S&P's mortgage fund category and yet many are uniquely different from each other."

He said investors also needed to recognise that while some mortgage funds offered different rates of return, so too were the type of products they invested in.

Classifying the mortgage fund industry into more specific baskets will further emphasise these differences.

This path seems the prudent course to take.

outside the square

Multiplex Capital: new projects, new fund

Christine St Anne

Despite the recent Wembley Stadium debacle in London, Multiplex Capital will continue to leverage off its manufacturing capability with new development projects on the horizon and a fund soon to be

launched to the platform market.

Multiplex Capital managing director Ian O'Toole this week addressed a media briefing in Sydney about the "other side of Multiplex, the funds management

division".

Multiplex Capital is the funds management arm of the Multiplex Group and has total funds under management exceeding \$6 billion.

“Although we have experienced the Wembley disaster, we still have a strong property deal pipeline for us to invest in,” O’Toole said.

The fund is committed to investing in a number of office buildings, including the American Express office site in Sydney as well as projects in Perth.

The total gross development value of Multiplex Group’s Australian office development pipeline is approximately

\$1.5 billion.

Multiplex Capital will also launch a property fund for the platform market, with listings on Macquarie Wrap and BT already confirmed.

“The fund was developed with advisers and platform providers to ensure a user-friendly product that met their needs,” Multiplex Capital division director of funds management Rob Rayner said.

To ensure support from platforms, the

fund will be open-ended, investing in unlisted properties with special liquidity features.

The aim of the fund is to provide consistent income with tax benefits.

It will be diversified across retail, office and industrial sectors.

Rayner said Multiplex Capital recognised the platform market generated strong inflows and as such the group wanted to develop a fund suited to the sector.

Global property runs hot with Aust institutions

Bill McConnell

Demand for alternative investments from Australian institutions has forced the fourth successful close of Franklin Templeton’s Fiduciary International Real Estate Fund 2, with the group announcing an additional \$43.5 million in investment approvals.

The latest commitments lift the total funding raised by Franklin Templeton to \$400 million sourced from 11 superannuation funds.

“Local superannuation funds are

increasing their allocations to property, putting the local market under pressure and making global property a logical solution,” Franklin Templeton’s newly-appointed managing director, Maria Wilton, said.

“The superannuation pool has grown much faster than predicted, and may even top \$1 trillion later this year,” Wilton said.

“By contrast, local growth in new investment grade property is currently at around 3.4 per cent per annum, which will

not keep pace with investor demand.”

She also said the demand from Australian institutional investors for global real estate investments was outstripping demand in other international markets.

“Franklin Templeton Australia now has more global property assets under management than any other Franklin Templeton office worldwide,” she said.

Macquarie predicts strong Indian infrastructure growth, partners with Waugh

Christine St Anne

Macquarie Bank has forecast India’s infrastructure will grow at 20 per cent in the next five years and also announced a joint venture with former Australian cricket captain Steve Waugh.

The bank, which officially opened its office in India this week, released a research report titled “Great Expectations”, which outlined growth trends in the country.

The report said the rise of services consumption would create a massive and self-reinforcing rise in demand for India’s infrastructure.

It said in particular the country’s demographic changes would drive demand for infrastructure.

A large and youthful population with

growing incomes will in turn boost demand for consumer goods and services, such as transport, communications and finance.

Sectors including roads, ports, airports, rail, communications and power face an enormous task to keep up with demand through this stage of India’s development.

With its presence in the region, Macquarie Bank has been actively seeking opportunities as a principal investor in the infrastructure sector.

“We see particular opportunities in sectors like infrastructure, property, telecommunications, media and resources, which are global strengths of Macquarie and where our Indian office can leverage industry expertise from our many regional

and international offices,” Macquarie Asia head of corporate finance Andrew Low said.

Prime Minister John Howard hosted the opening of the bank’s India office during an official visit to Mumbai, with Waugh announcing a joint initiative in a development company with the bank.

The joint venture company, Milestone Communities, has a charter to develop tailored real estate projects.

“With the Milestone Communities we are pioneering a concept of high quality, integrated residential communities built around best-of-breed sports, health and education facilities and providing a quality live-work-play ethos,” Waugh said.

money on the move

City Super appoints Bridgewater, lays groundwork for new initiatives

Bill McConnell

The Brisbane City Council Superannuation Plan (City Super) has appointed the Bridgewater All Weather Fund to run a \$40 million mandate, with the funds redirected from cash flow.

City Super chief executive officer Ian Prowse confirmed the appointment,

which will form part of City Super's growth alternative asset portfolio.

Prowse said the fund was currently in the process of putting in place new strategic initiatives, with the details due to be released in May.

"I am not wanting to release the details

until closer to the time, however, they are very much focused on improving the service offering and product offering to our members," Prowse told Investor Weekly.

Funds SA, MF Select choose Lloyd George for Asian investment

Bill McConnell

South Australian public sector superannuation fund Superannuation Funds Management Corporation of South Australia (Funds SA) and MF International Select Fund have separately awarded investment mandates to the recently-launched LG Asia ex-Japan Fund managed by Lloyd George Management.

Funds SA, which already had an existing \$9 million segregated mandate with Lloyd George Management, has committed an additional \$66 million to the LG Asia ex-

Japan Fund and rolled over its existing \$9 million funding into the new Asian investment fund.

First unveiled in December 2005, the fund invests in Asian listed securities, excluding Japanese listings, with a strategy to generate long-term capital growth invested at a reasonable price.

The manager runs high conviction portfolios and adopts a benchmark unaware investment philosophy.

The LG Asia ex-Japan Fund will act as

a feeder fund, providing investors with access to the LG Emerging Markets Fund and LG Asian Smaller Companies Fund, which have been available to Australian investors for approximately nine months and have returned 51.6 per cent and 45.5 per cent respectively in this time.

Lloyd George manages approximately \$740 million on behalf of Australian clients, with Equity Trustees acting as the responsibility entity.

Woolies assigns \$1b fund to AMP

Christine St Anne

The \$1 billion Woolworths Group Superannuation Scheme (WGSS) has outsourced its superannuation fund to AMP's Signature Super Master Trust following a four-month review.

Although WGSS' previous superannuation administrator was Mercer, the outcome of the review placed AMP marginally ahead of the Mercer Master Trust.

The review undertook a comparative analysis based on the criteria of investment performance, member services, back-

office support, staff, administration, website capabilities and commercial arrangements.

Woolworths chief executive Roger Corbett said the decision also took into account the cultural aspects of the organisation.

"The Woolworths culture is unique and one which should be carried forward into the new arrangements with AMP," Corbett said.

The deal will mean a further boost to AMP's Signature Super Master Trust.

"The announcement by Woolworths to move its corporate superannuation fund into the Signature Master Trust reinforces the growth in AMP's master trust business," an AMP spokesperson said.

Since January 2005, both AMP's Custom and Signature master trusts have captured 200 corporate plans with 65,000 new members.

Approximately \$3.5 billion in funds are in the products or in transition.

BOC Super closes equities mandates

Staff

The \$500 million BOC Gases Superannuation Fund has closed a number of equity mandates following the fund's move into an implemented consulting arrangement with Intech.

Domestic equity mandates with the fund that are now closed include Maple-Brown

Abbott, Schroders and Perennial.

The fund has also closed its international equity mandates with BGI and Credit Suisse.

Mandates continue to be held with PIMCO, BGI, AMP and Mellon Global Investments outside the implemented

consulting arrangements with Intech.

In late February, \$350 million of the fund's equity assets were transferred into Intech Trusts.

The previous asset allocation of 35 per cent in each of domestic and international equities is being maintained.

appointments

Legalsuper retains chief executive

Christine St Anne

Legalsuper has appointed former joint chief executive Andrew Proebstl to head the legal profession super fund.

The decision comes as the new legalsuper entity seeks to reposition and lift its presence in the legal industry.

In February 2005, legalsuper was formed through the merger of the Legal Industry Superannuation Scheme and the Law Industry Superannuation Trust.

At that time, Proebstl and Jean Elborn

were joint chief executive officers.

Following the merger, the fund revamped its investments to include more options and widened its insurance coverage for members.

Proebstl said the next step was to lift the fund's presence in the legal industry, and indicated the fund would expand its marketing and business development teams as a result of the strategy.

Ausbil beefs up internal equities resources

Staff

Former Shaw Stockbroking and Tolhurst Noall equities adviser and dealer Matthew Okkerse has been appointed as an equities dealer at funds management group Ausbil Dexia.

Ausbil chief executive officer Paul Xiradis said the appointment of Okkerse, with approximately seven years' experience as an equities adviser, was necessary due to the expansion of Ausbil's responsibilities and the increase in the number of mandated investment portfolios.

As a result, Xiradis said Ausbil now required a centralised equities dealer capability.

"This role will enhance Ausbil's communications in three equities markets and facilitate timely and cost-efficient sourcing of liquidity and execution," he said.

"Our focus is to continue to build Ausbil Dexia into a major equity specialist by achieving consistently superior returns from its Australian equity and Emerging Leaders portfolios."

Ausbil currently manages approximately \$5 billion of client funds, with about \$4 billion of that allocated to Australian equities.

452 Capital manager joins Austock

Christine St Anne

Austock Asset Management has appointed former 452 Capital portfolio manager Doyle Mallet to its team as the boutique investment management firm looks to expand its offerings in the fixed interest and high yield market.

Mallet will be responsible for strengthening the firm's wholesale capabilities in high yield and fixed interest portfolio management. "We have quietly and carefully established an equity capability over the past 18 months," Austock Asset Management managing director Samantha Rist said.

"Doyle's appointment is the next

important step in diversifying our product base with innovative new products in the high yield and fixed interest space."

Mallet has also worked as a senior fund manager with BT in fixed interest and currency portfolios and was a member of the asset allocation committee.

In June 2005, Austock Asset Management rebranded from Paragon Asset Management to better reflect its ties with parent company Austock Group.

The manager has been offering high yield and fixed interest portfolios for retail and institutional clients since 1996.