

# More fund platforms merging

Alison Kahler

At least five asset management platforms have been sold or have transferred assets to rivals over the past six months in the first major round of consolidation in the fastest-growing sector of the local managed funds industry.

Companies such as AMP and ING Australia have opted not to replace outdated platform technology but to use more sophisticated systems such as St George subsidiary Sealcorp or the Macquarie Bank platform.

Challenger Financial Services Group announced last month it intended to sell its corporate superannuation business because it was no longer a core function.

There are 480 platform products run by 25 operators, according to Rainmaker Information. These included badged versions of platforms run by companies such as Westpac Banking Corp subsidiary BT Financial Group and Sealcorp.

But the industry has been considered ripe for consolidation since US researcher Cerulli Associates forecast in 2000 that the number of players would shrink to just five by this year.

Cerulli said rationalisation would be driven by competitive pressures that forced operators to cut fees paid by investors.



Snowball's Tony McDonald doesn't see the industry shrinking to five players, as once predicted.

Photo: ANDREW QUILL

Platform operators have to spend up to \$10 million on technology every five years to remain competitive, according to Andrew Inwood from Brand Management.

"If you don't, it wears out like a car. National Australia Bank and Axa are making significant investments at the moment," Mr Inwood said.

Tower Trust is buying the business of Australian Superannuation Nominees in the latest rationalisation.

An AMP spokesman said it transferred \$600 million from its Investment Solution wrap account

to Sealcorp's Asgard master trust late last year as it was a better option than building a new platform.

"We decided we wouldn't be able to build something quickly with as much functionality as what was available externally," the spokesman said.

ING Australia announced in March it would outsource the administration and systems of its wrap business to Macquarie Bank later this year.

ING manager of wrap services Luke Benjamin said the deal gave ING's platforms enhanced functionality and features without

having to rebuild its entire system.

The head of financial services group Snowball, Tony McDonald, said it was unlikely that the industry would shrink to only five players.

"It's a generalisation that probably applied to the independent adviser market. There will probably be a small number of profitable platforms that will service the traditional financial planning market," Mr McDonald said.

"It's not true, though, of the role of specialist or niche platform providers."

Snowball runs a \$70 million badge version of the Asgard master trust.