S&P to close local funds research unit

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S&P said the group would "no longer conduct local funds research and local wealth management services" from October 1. **Photo: Reuters**

Ruth Liew and Sally Patten

Research house Standard & Poor's will shut down its Australian funds rating, research and wealth management services in October as the funds management industry moves closer to consolidation.

An S&P spokesman said that the group, whose main business is rating the creditworthiness of governments and companies and creating investment indices, would "no longer conduct local funds research and local wealth management services" from October 1.

Up to 30 staff could lose their jobs.

KEY POINTS

- S&P has been one of the five main research houses to rate managed funds in Australia.
- Fund managers say it is pulling out at a time when planners and their clients need more research.
- Up to 30 staff could lose their jobs.

"This decision is based on our desire to focus local product and service offerings around scalable business operations in all of our markets worldwide," the spokesman said.

S&P is one of five main research houses to rate managed funds in Australia, alongside Lonsec, Morningstar, Van Eyk and Zenith.

Their ratings are critical because financial planners will generally only recommend products that carry the research houses' seal of approval.

It is believed S&P's only large client is Westpac Banking Corp after it lost Commonwealth Bank in the past year.

Westpac uses S&P's funds management research services across its financial planning dealer groups, including Securitor and Magnitude.

A spokeswoman from BT Financial Group, Westpac's wealth management arm, said the firm would look for a new research house for its advisers.

S&P tried to expand its business in Australia in the middle of the last decade. In early 2005 it bought Assirt, a research subsidiary of St George, which is now a subsidiary of Westpac.

The outlook for research houses is muddied by predictions of consolidation in the local funds management industry and a regulatory crackdown on potentially conflicted business models where a fund manager pays for a rating.

The revenue base of the big ratings agencies is also under pressure because of the demise of the markets for collateralised debt obligations and mortgage-backed securities following the global financial crisis.

The decision is expected to have no impact on other products and services offered by S&P Capital IQ or its sister brands, S&P Indices and Standard & Poor's Ratings Services.

Geoff Wilson, chairman and portfolio manager at Wilson Asset Management, said S&P's exit was a "negative for the industry" because it reduced competition in funds research.

"You want to be appraised by as many players as possible to get diversity of opinion," he said.

Matthew Walker, the director of financial planning group WLM Financial Services, said the level of funds research in Australia was "already pretty thin" and the closure of S&P's business came at a time when planners and their clients required more research.

"There's only a few established players that have the capacity to do property research," Mr Walker said.

"Something like [S&P] pulling out of the market is not at all good in terms of giving the industry the depth of understanding that it should have."

But another fund manager, who wished to remain anonymous, disagreed, saying the research sector in Australia was too competitive, with too many players vying for too few slices of the pie.

"I'd say it's a good thing for the smaller players in this space," the fund manager said.

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