

Small Caps

## Boutique fund managers face big battles

PUBLISHED: 03 Aug 2011 PRINT EDITION: 4 Aug 2011

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Boutique fund managers have been doing it tough this financial year, with a sluggish sharemarket encouraging investors to pull out of shares altogether for the safer, if less rewarding, option of cash deposits. Larger managers such as BT Management and AMP have report a draining in funds under management for the last quarter, and with less fat in their margins some of the smaller fund managers have been delivered a beating by investors recently.

### Platinum Asset Management (PTM)

One of the larger asset managers listed on the ASX Small Ordinaries index with a market capitalisation of \$2.2 billion, Platinum Asset has been battling against the fortunes of global markets since listing at \$5 in the heyday of May 2007, just before the global financial crisis hit.

Since hitting an all-time low of \$2.75 in July 2008, the stock has struggled to regain much positive momentum, and is now trading around \$3.90, having fallen more than 21 per cent in 2011 so far.

The Sydney-based fund manager specialises in global equities using a value management strategy, and has seen a reduction in total funds under management from \$18.9 billion to \$18.1 billion from January to June this year. The company's biggest fund, the Platinum International Fund, with a portfolio value of \$8.7 billion, has made a loss of 7.32 per cent over the past year, though the longer-term performance is looking a little healthier with a 6.1 per cent return over 10 years.

### WAM Capital (WAM)

WAM Capital, Wilson Asset Management's biggest listed fund at \$178.6 million, reported a net profit of \$20.4 million for the 2010-11 financial year, down 16.5 per cent compared to 2009-10. This was a better performance than the smaller, actively managed fund, WAM Active, which was down 43.2 per cent for the year. News was not all bad for WAM Capital shareholders though, with a full year fully franked dividend of 10¢ a share announced, representing a 25 per cent increase on the previous financial year.

The fund played it safe during a turbulent year, with an average 43 per cent cash weighting in the portfolio through the year. The actual performance of the fund was rather promising, with a 17.9 per cent increase in gross portfolio compared to the S&P/ASX 200 All Ordinaries accumulation index, up 12.2 per cent. Investors in the stock seem to be impressed by that figure, with the price up 7.12 per cent so far this year and holding steady.

### Treasury Group (TRG)

Treasury Group is strictly an investment company with a number of holdings in diversified boutique fund managers, with its biggest holding Investors Mutual, followed by GVI Global Investors and Orion Asset Management.

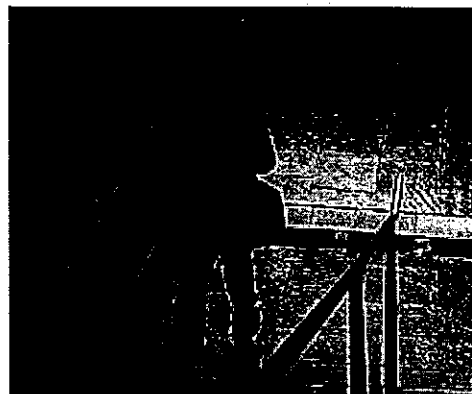
Though the company is yet to report for the 2010-11 financial year, it has had a rather turbulent period of late, with managing director and chief executive Mark Burgess resigning in March to take up a position at the Future Fund.

For the first half of the 2010-11 financial year, the company reported a 19 per cent reduction in net profit to \$5.2 million. But the company has bucked the trend somewhat in terms of funds under management, posting an increase of 13.97 per cent to \$16.76 billion across all its boutiques over the 2010-11 financial year, up 13.97 per cent. Orion Asset Management accounted for the bulk of that, with \$5.2 million under management.

The good news has helped the stock to recover from a two-year low of \$3.70 in mid-June, up 12 per cent to now trade around the \$4.15 mark.

The Australian Financial Review

### Correction



Smaller managers are out in the cold.  
Photo: Peter Braig

An earlier version of this story incorrectly referred to Platinum Asset Management Limited (PTM) as warning of an operating loss for the 2011 financial year. The warning instead relates to Platinum Capital Limited (PMC), a product managed by Platinum.

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