AFA forges PI insurance partnership

Victoria Young

The Association of Financial Advisers (AFA) has responded to member fears over the corporate regulator's strict new terms for professional indemnity (PI) cover by teaming with a broker.

Sydney-based Alexis Insurance Brokers has been hired to arrange insurance for the group's national member base.

"This is a big step forward for the AFA and it's members," AFA president Dennis Bateman said.

By July 1, licensees must have PI insurance that covers loss or damage from bad advice by retail clients and also breaches and fraud by licensees and authorised representatives.

Licensees must also have at least a year's run-off cover from January 1, 2010, also under ASIC Regulatory Guide 126.

"I think the response from the industry has been input into RG126, but ASIC and the Government have acted in response to firstly, consumer protection, and secondly, some of the collapses of providers, so RG126 is here to stay in some form," AFA chief executive Richard Klipin told *IFA*.

"It's reality, so we have to deal with it."

The association also considered providing insurance itself, but decided it was not practical due to the variety of financial planning businesses.

"One of the key roles of our organisation is to use our reach and expertise to assist members when important issues affecting their business practices come along, whether it's education or PI cover," Klipin said.

Alexis Insurance Brokers director Christina Kalantzis said the new PI insurance requirements had made obtaining cover more onerous and complicated. □

BTIM tips planner inflow rise

Vishal Teckchandani

BT Investment Management (BTIM) is expecting more of net inflows to come from financial planners rather than institutions, chief executive Dirk Morris said.

"On a long-term basis we would expect net flows to be strongest from independent financial advisers and dealer groups," Morris told *IFA*.

"That is both Westpac advisers and non-Westpac dealer groups, which we have strong ties to."

Morris' forecast comes after BTIM last month reported interim results that met prospectus forecasts.

The Sydney-based company's cash net profit after tax (NPAT) for the six months to March 31 was $22.8 million.

Funds under management (FUM) fell to $38.2 billion during the period from $41.9 billion when the company started in October 2007 after being spun off from Westpac.

Around 70 per cent of the FUM was made up of institutional mandates, Morris said.

Morris, also BTIM chief investment officer, said the firm's strongest allegiances were with Count Financial, Genesys Wealth Advisers and St George Bank subsidiaries Asgard and Securitor.

BTIM's full-year NPAT would also be below the $45.7 million expected, but FUM would gain as the market stabilised, he said.

The investment boutique is also looking to open two of its new institutional funds to the retail adviser market after they have been rated.

They included a global currency fund, expected to be released in the fourth quarter of the year, and a long/short fund, which might be launched before September, Morris said. □

Banks should focus on retail

Marta Wiacek

Many of the problems affecting Australian banks, which have resulted in increased costs to consumers, could have been avoided, according to Global Value Investors (GVI).

GVI senior equities analyst Matthew Hegarty said a review by GVI of banks around the world demonstrated those with high levels of retail deposits had the best chance of not being drawn into the global credit crisis.

"Australian banks became reliant upon wholesale funding to grow their business during the recent era of easy credit," Hegarty said, adding that funding had now dried up or become prohibitively expensive.

"The banks need to rely on their primary source of income – the retail customer – to meet their current commitments."

He said he believed some banks were meeting those commitments by increasing mortgage rates above interest rate levels set by the Reserve Bank of Australia.

GVI has invested in a number of Scandinavian banks because it believes many have adopted far more conservative growth strategies. "These banks [DnB Nor and Danske Bank] have strong deposit franchises, fewer credit losses and little cost of funding increases," Hegarty said.

"As the head of one of these Scandinavian banks said to us recently, they are merely spectators to the global credit crisis."

GVI head of investments Roy Chen said the company would continue to maintain a strong preference for dividend-paying companies, which he believed could generate more defensive returns for investors as markets stayed flat or continued to fall. □

NEWS BRIEFS

NEW BOARD FOR SMALL PRINCIPALS' FORUM

A new board has been elected for the FPA's Small Principals' Forum.

Brad Butler (Butler and Butler) has been re-elected chairman, with Nick Nedachin (Eclipse Asset Management), Deborah Rognlien (Financial Care Group), Martin McIntosh (Planning Partners), Louise Lakomy (Yellow Brick Road) and Tony Gillett (Retirewell Financial Planning) making up the numbers.

BABCOCK AND BROWN GOES INDIAN

Babcock and Brown has recruited a team of eight experienced investment specialists from ABN Amro in India to maintain a local presence in the markets in which it operates.

The team is made up of Indian nationals who have been operating in that market for more than 10 years.

It will be located in Mumbai and Delhi.

HIGH YIELD FOR HYECORP

The Hyecorp Property Fund has delivered a 49 per cent return to investors in 18 months.

The return was 63 per cent above forecast for a development in Sydney's Chatswood. Founded in 1995, Hyecorp Property Group opened its first fund to investors in April 2006 and has a development pipeline in excess of $100 million.

ASIAN BUSINESSES BACK LOCAL MANAGER

Investment manager Real Estate Capital Partners (ReCap) has teamed up with a Hong Kong and a Malaysian business to launch alternative investment fund manager Quattro Asset Management.

The new firm will be backed by Hong Kong firm Sun Hung Kai Financial and Malaysian property manager Mulpha Group.

It will be led by ReCap chief executive Andrew Saunders and David Adiseshan.