

AMP risks damaging brand over China fund

Sally Patten

Paul Batchelor, the former chief executive of AMP, says the wealth manager risks damaging its brand over the stoush between investment arm AMP Capital and unitholders of a prominent Chinese equity fund.

Mr Batchelor, whose boutique investment firm Yorkway Partners has just taken a stake in trustee services provider One Investment Group, said that AMP should listen to the wishes of unitholders of the AMP Capital China Growth Fund, many of whom are angry at the vehicle's mediocre performance and its trading discount and are calling for the fund to be wound up.

"The AMP CEO [Craig Meller] should be thinking about brand damage. It is never good to be on the front page," Mr Batchelor said.

"It is as simple as asking unitholders what they want done with a fund," he said.

Last week activist investor fund Lim Advisors stepped up its campaign to convince small investors to back a push to shut down the AMP China fund. Hong Kong-based Lim Advisors is understood to have sent an open letter to all 6500 of its fellow unit holders of the \$380 million listed investment trust. AMP Capital has scheduled an extraordinary meeting for late July to vote on a number of enhancements to the fund so that it can remain open.

Justin Epstein, One Investment Group co-founder, said the problems at the AMP trust demonstrated the pitfalls of fund managers employing an internal responsible entity (RE), rather than outsourcing the function to a third party.

An RE's role, much like that of a company board in the case of shareholders, is to defend the interests of unitholders.

"An RE's job is to act in the interests of unitholders. An external RE will do what investors want it to do.

"There is an additional benefit for investors if the RE is external," Mr Epstein said, adding that having an independent RE reduced conflicts of interest.

In Australia, large fund managers such as the major banks, AMP and Macquarie, tend to use internal REs, while smaller vehicles tend to outsource the function to third parties.

One Investment Group was founded in 2009 by Mr Epstein and Frank Tearle.

The company is the third-largest provider of outsourced RE and trustee services in Australia with \$10 billion



One Investment: Paul Batchelor and Justin Epstein believe AMP should listen to the wishes of unitholders of the AMP Capital China Growth Fund. PHOTO: PETER BRAIG

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under management across the infrastructure, real estate, equities and credit sectors. One Investment Group will reveal on Thursday that Mr Batchelor's Yorkway Partners has taken a 25 per cent stake, with industry sources pointing to a \$15 million price tag. Mr Batchelor will become chairman.

Mr Epstein said one One Investment Group's preferred model was to undertake custody, administration and registry services for its RE clients because it gave the company greater insight into a fund.

He said demand for third-party trustee services was growing as more boutique managers entered the market to meet the increased appetite by

investors for different asset classes, such as infrastructure and property. Such boutiques tend to rely on third-party service providers. "There is fundamental growth in the sector," Mr Epstein said. But he said the group was also looking for acquisitions.

The biggest trustee service providers are Perpetual, which purchased The Trust Company for \$270 million in 2003, and Equity Trustees. Prior to Trust Co shareholders approving the deal, the company was in the middle of a three-way bidding war between Perpetual, IOOF Holdings and Equity Trustees. Mr Epstein estimated that Perpetual, Equity Trustees and One Investment Group controlled about 90 per cent of the trustee services market between them.

The investment in One Investment Group is the second strategic partnership Yorkway has made in the past 18 months. Yorkway is backed by a combination of wealthy individuals, family offices and institutional investors.