Market doubts add to pressures on funds division

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Wealth

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The head of MLC & NAB Wealth,Steve Tucker, said regulatory and market uncertainty was dampening the outlook for the wealth management sector.

His division, which accounts for about 7 per cent of group revenue, posted unchanged cash earnings of $298 million. Underlying profit rose 5.7 per cent to $388 million.

But sluggish fund flows caused by investors' nervousness about stockmarkets and the attractive deposit rates offered by banks mean investment conditions remain subdued.

Funds under management at the end of March were about 7 per cent higher at $122 billion because of improvement in equity markets, which was partly offset by outflows.

"Investor sentiment remains cautious," he said. "Discretionary flows are still below historical levels."

Mr Tucker said the "accelerated" pace of merger and acquisitions activity would be maintained as the sector responded to the "future of financial advice" reforms being introduced by the federal government.

Additional change would come as advisers, licensees and product manufacturers were faced with having to adjust their business models to the government's proposal to remove volume-based payments.

Mr Tucker repeated his criticism of the government's surprise proposal to scrap commissions on insurance sales inside superannuation and said he would lobby to have it reinstated. "We and the industry are very keen to talk about opening it up," he said.

He expects AMP's successful bid for AXA Asia Pacific Holdings, made possible by the competition regulator's rejection of NAB's offer, would be imitated by industry funds and advisory groups.

MLC & NAB Wealth's recent acquisitions have been aimed at building up its advisory network and augmenting its multi-manager investment capacity.

During the past six months it increased adviser numbers by 11 per cent to about 1730, with 113 coming from the acquisition of Meritum Financial Group and about 60 from new adviser recruitment.

NabInvest continued to boost direct asset management during the same period with the acquisition of UK-based Wiltshire Capital, a credit opportunities fund manager; and New York-based AREA Property Partners, a global real estate fund manager with about $US13 billion under management. It also is integrating the Aviva wealth management business, which it bought in 2009.

"Underlying profit performance has been quite good," Mr Tucker said.

An overall revenue increase of about 4.5 per cent was helped by higher funds under management, despite lower margins, and higher premiums in force.

"Claims experience for individual disability and lump sum was unfavourable, partially offset by lower claims for group business," a bank statement said.

Expenses rose by about 4 per cent because of the inclusion of a full half-year contribution of JBWere, compared with only five months in the previous corresponding period, and investment in salaried advisers and private bankers, the statement said.

The private wealth business is continuing to develop a new private client platform to migrate clients from the existing Goldman Sachs system.

Mr Tucker's MLC Wrap and Navigator platform, which has become a key battleground in wealth managers' drive for market share, has been ranked No. 1 by Investment Trends, a market research group.

The Australian Financial Review

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