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IOOF quadruples platform reach after Skandia buy

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Financial services group IOOF climbs through the ranks of platforms with the largest share of the non-aligned adviser market when it acquired Skandia Australia and Intech, a move that quadruples its slice of the sub-segment and adds more than \$8 billion of funds under management and admin (FUMA) into its existing base.

Rumours have been swirling for months about the possible divestment of the two businesses by its South African parent company, Old Mutual.

IOOF ended the speculation when it announced today that it acquired the businesses for \$34 million, with support from Australian Wealth Management (AWM) which IOOF is still in the process of merging with.

According to Rainmaker Data, IOOF had more than 550 non-aligned advisers using its platform as of the September quarter compared to Skandia, which ranked third largest, with more than 1,880 non-aligned advisers using its platform.

"The appearance of Skanda [as number three] reinforces just how successful the exclusively multi-management strategy of this new group has been. Indeed among the non-aligned adviser groups, it now outranks Asgard, Perpetual, Macquarie and Navigator," noted the Rainmaker report.

Investment Trends principal Mark Johnston added, "It gives the combined entity a little bit more scale than either provider had before. We put Skandia at about 3 per cent primary market share (main platform for investing new client inflows) and IOOF is almost the same size so put them together, you have more advisers using the combined entity than say, somewhere between AMP and AXA."

"Six per cent gives them more scope to spread costs and a little bit more distribution for Skandia, which was a challenge for them before, not owning any dealer groups," he continued.

While the Westpac/St.George platform merger dwarfs the IOOF/Skandia merger, Johnston said it still impacts the platform industry after the firm's planner technology research in October found that adviser churn in platforms rose by a third last year.

That is, around 31 per cent of planners stopped using a particular platform provider in 2008 versus only 23 per cent the year previously. Investment Trends research shows that advisers use an average of 3.3 platforms for their clients.

IOOF chief executive Tony Robinson said the acquisition helps IOOF to operate more competitively. "Scale is important going forward due to increased margin pressure both from competition and the impact of the global market decline," he said.

Robinson said the products and services offered by Skandia and Intech will operate as normal but the IOOF brand will replace the Skandia brand "in due course".

Intech will retain its name while the operation of existing IOOF products and services will not be disrupted by the acquisition process.

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