

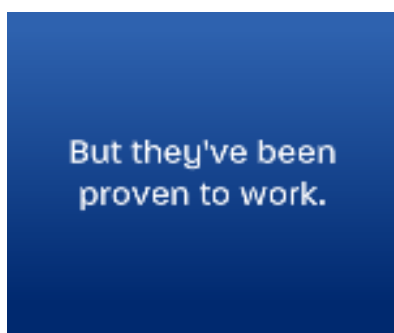
Platforms drop deadweight funds

23 January 2009 | by Liam Egan



Platforms are shedding funds and even fund managers from their investment menus on the back of slowing inflows, ratings downgrades and a lack of adviser demand.

The cuts began in earnest late last year, and the outlook for 2009 is for more of the same, with annual reviews by major providers set to take place this month against the backdrop of deteriorating investment markets.



Netwealth removed 100 funds from its 280-fund investment menu in November as part of a major review of the menu, according to Netwealth director Matt Heine.

It added 70 funds in the review, making for a net loss of 30 funds, which Heine said were dropped due to “poor adviser demand, research rating downgrades and a lack of inflows”.

“The changes also took place in conjunction with adviser reviews of their own APLs as a result of what’s happening in the market,” he said.

“They are certainly not adding funds these days. They’re removing funds.”

Investment Trends analyst Andrew Knox said platform providers are currently taking funds not getting any traction with advisers or any flows off their investment menus.

Other providers have been “adding a few funds where they know they are going to get support while at the same time removing funds that aren’t getting any support at all”, he said.

“An investment option which has only two or three clients in it on a platform is a burden and a cost for a provider in terms of administering the fund and providing a daily unit price, etcetera.”

Wealthtrac head of distribution Matthew Johnson said “adjustments” had been made to the platform’s 300-fund investment menu last year, and this “included the removal of some funds”.

Wealthtrac’s investment committee is “now also very prudent in allowing new funds to come on board and in managing the internal risk of any investment funds on our menu”.

Perpetual general manager of platforms Gai Ferrington said 10 managers had been replaced on its WealthFocus platform last year, although she said this wasn’t brought about specifically due to market conditions.

“In the master fund platform space ... the cost of keeping a fund on a master fund platform is higher than on a wrap platform,” she said.

A “number of out-of-favour funds” were removed from the platform and replaced last year, in keeping with a “change to our WealthFocus platform strategy”, she said.

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