A Regal bid for retail investors

Jane Searle

Boutique fund incubator Ascalon has signed Regal Funds Management to its stable in a deal that the hedge fund manager hopes will help it tap the retail investor market.

Ascalon will buy a 30 per cent stake in Regal for an undisclosed sum, and provide back-office support across distribution and marketing so Regal can focus on investment management.

Sydney-based Regal has $350 million under management, specialising in long-short, market neutral, absolute return and Asian quantitative strategies.

Many hedge funds have suffered from a focus on offshore and wholesale investors, who were burnt during the credit crisis, and are attempting to diversify their client base.

Regal managing director Andrew King declined to comment but it is understood that a key part of Ascalon's role will be to assist with retail distribution.

Similarly, hedge fund Fortitude Capital recently partnered Aurora Funds Management to boost its retail distribution after suffering from a reliance on offshore investors. A public listing of Aurora is slated for next week.

Regal's client base comprises wholesale investors both locally and offshore, and it has won several industry plaudits for fund performance.

Its Amazon Market Neutral Fund posted 42.03 per cent over the year to April while its Tasman Market Neutral Fund returned 54.99 per cent.

Ascalon chief executive Andrew Landman said the investment underlined the firm's intention to be a significant player in the alternative asset and boutique industry in Australia.

He said that while $500 million under management may be the rough break-even point for domestic equity managers, hedge funds could be profitable at $100 million due to the higher fees they charged.

"We are not involved in the investment management side and will partner with Regal for the long term," he said.

Mr Landman said Ascalon remained keen to grow its stable of alternative and global equities managers, and pointed to Asia as an area of interest.

It will shun managers focused on local equities as it considers the area overcrowded.

Rival boutique incubator Treasury Group has also voiced an appetite for further partnerships with alternative investment firms such as hedge funds.

The manager recently saw consolidation within its own stable as equity investor Investors Mutual absorbed the key staff of Cannae Capital due to the challenges Cannae faced in attracting mandates as a small player.

While boutique hedge funds are becoming increasingly aware of the need to diversify their clientele, they face several challenges in attracting retail investors. These include overcoming the perception they are complex, risky investments, despite some strategies being far more conservative than equity funds.

Their high fee structures have been another disincentive for retail punters, though many are targeting self-managed super fund investors rather than the general public.

Platinum Asset Management is the best known retail hedge fund, although it does not identify with the label locally as it uses very little short selling.

Hedge funds want to diversify their client base. Photo illustration: KARL HILZINGER

KEY POINTS

- The fund incubator will buy a 30pc stake in Regal Funds Management.
- It is keen to grow its alternative and global equities managers.

Demand drives bank

Bendigo and Adelaide Bank increased a residential mortgage-backed securities transaction from $750 million to $1.5 billion following strong investor demand. **Katja Bührer**

Rise for fund manager

Platinum Asset Management funds under management rose from $17.6 billion to $18.4 billion during June, before its cash distribution to unit holders. The manager said the large rise in FUM reflected retail inflows and some professional wins. **Staff reporter**

Profit despite bad buy

Anglo-Australian funds manager Henderson Group said it was expecting to make a profit of between £47 million ($83 million) and £49 million for the six months to June 30. The firm said it incurred costs of £3 million from an aborted acquisition of US group RidgeWorth Capital. **George Liondis**

NAB names new man

National Australia Bank has appointed Alex Twigg to the role of general manager, UBank. Mr Twigg has 20 years' experience in retail banking in the UK and Australia. **Jane Searle**

India Equities chief goes

The India Equities board agreed that due to the winding down of the firm's operations, chief executive John Pereira and fund analyst Nick Sitt would leave immediately by mutual agreement. **Staff reporter**