

Westpac acquires Ascalon, moving into boutique management

Jane Searle

Westpac Banking Corporation has agreed to acquire all Ascalon Capital Managers, to lift its exposure to more profitable wealth businesses.

The bank has reached an in-principle agreement to acquire the 50 per cent stake in Ascalon owned by private equity company Kaplan Equity. The transaction is expected to be completed in October and will give Westpac full ownership.

Ascalon was founded by

St George Bank in 2000, giving Westpac a 50 per cent stake after it took over St George in 2008.

Ascalon takes minority stakes in boutique investment managers in exchange for back-office, compliance and funding support.

Westpac's head of mergers and acquisitions, Harvey Carter, said boutiques still held appeal for institutional investors but those that won support would need to demonstrate a solid funding position and commercial skills

beyond asset management talent.

"In the bull market there was a huge premium placed on investment talent in boutiques which saw some very high prices paid for stakes," Mr Carter said.

"Over the next few years, boutique managers will have to work harder to win mandates from institutional investors. But on the transaction side we expect Ascalon will be able to review a broader selection of managers and make new investments on more attractive terms."

Ascalon chief executive Andrew Landman said he saw greater opportunity as historically strong boutiques hammered by the downturn sought institutional support. But stiff competition on the domestic scene has dissuaded Ascalon from vying for local managers, shifting its focus to investment in small global hedge funds aiming for higher-margin returns.

"We're only looking at alternative-style managers which have good

liquidity and transparency. And we look for quality — it's not about growing funds under management," Mr Landman said.

Ascalon's peers such as the listed Treasury Group have also indicated interest in alternatives for investment.

Kaplan Equity director Sam Kaplan said the sale reflected the group's decision to focus investment on the logistics sector, where it has several interests and is reviewing other opportunities.