
Ascalon exits two boutique funds on model concerns

Written by: Wouter Klijn

Ascalon Capital Managers has sold two of its 11 boutique funds following the appointment of a new chief executive.

The boutique manager, which is jointly owned by St George and Kaplan Funds Management, sold its holdings in Sigrun Asset Management and Fortuna Funds Management last week.

Former Challenger Financial Services executive Andrew Landman took over the helm at Ascalon a month ago from Nick Basile, who departed the group for nabInvest.

Landman decided to sell the two boutiques because he did not believe in the boutiques' business models.

"They did not get the process down correctly," Landman said.

"Long/short equity; I've got better investment professionals in the other

boutiques to deliver what I need.

"I don't have vast experience in residential property. I feel uncomfortable selling a wrapped up portfolio, because I think Australian investors have easy access to and enjoy directly owning residential property."

He said the current number of boutique fund managers in Ascalon was about right, but indicated more divestments could follow if the market remained subdued. This includes the much fought over stake the company holds in MacarthurCook. "If a value is ascribed to the purchase that delivers to my shareholders then I will look at it," he said.

Landman's swift actions in consolidating Ascalon are indicative of a change in the firm's parent companies' strategy towards the business.

Last year, St George and Kaplan

were looking to sell Ascalon and asked Investec Bank to conduct a review.

"The review was about do we continue the position of Ascalon or do we sell Ascalon in its entirety," Landman said.

"I think the market didn't provide any sale opportunities last year."

There were currently no plans to sell the business, he said. "We wouldn't sell at the low end of the market," he said.

"I'm pleased that they've made positive views to me, otherwise I wouldn't be here."

The merger between St George and Westpac has also sparked renewed interest in Ascalon.

BT Financial Group chief executive Rob Coombe, who was recently appointed to the board of Ascalon, is a driving force behind the changes at the boutique fund manager. It is now

working to raise the profile of the boutique brands, realise cost savings and negotiate better prices for external services.

"We need to look at our buying power. Not too many people know we have in excess of \$3 billion in funds under management – we are a reasonable business," Landman said.

Ascalon acquired a 50 per cent stake in Sigrun in mid-2008. The boutique fund is a high-conviction manager that manages long-only Australian equities.

The firm bought a stake in Fortuna at the end of 2005. Fortuna manages a residential property fund.

Ascalon now has nine boutique funds: Alleron Investment Management, Continuum Capital Management, The Private Collection Australia, ATI-AM, MacarthurCook, H3 Global Advisors, First Samuel, Millhouse and OneVue. «