

# Platforms spell end for retail funds

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Investment flows into pure retail products may completely dry-up as platforms capture the majority of future investment inflows, according to a report by broking firm Citigroup Smith Barney.

The report suggests those concerns are driving funds managers to enter the platform space, with Perpetual's WealthFocus launched "to protect the cannibalisation of its pure retail fund base" in October last year.

Credit Suisse Asset Management (CSAM) is slated to enter the platform space in the first half of this year, with a trailing commission understood to be around 100 basis points for financial advisers.

The report attributes "company insiders" as suggesting the CSAM decision to launch its platform, which is understood to include general investment, personal super and allocated pension components, was largely driven by fears its retail division may decline in favour of master trusts.

"This would leave Credit Suisse in the position of a large wholesale boutique with its hard-won retail adviser relationships dissipating over time," the report states.

Plan for Life projects the likely growth in funds under management (FUM) in Australia in the retail wealth management market will be over 12 per cent per annum over the next three years, including growth

in retail FUM of 12.4 per cent and growth in wholesale FUM of 14.6 per cent.

Tight margins within the platform space, however, are expected to continue for the medium term, with the report questioning the longevity of some smaller (and even some larger) players such as Norwich (Navigator), Zurich and Skandia.

The report said larger players would be better able to meet the costs of increasing financial regulations.

It cited bigger platforms such as those operated by the Commonwealth Bank/Colonial where the changes are "not a large additional cost" in comparison to ANZ's "significant charges".