AustralianSuper wants to fund own investment team

SUPERANNUATION

AUSTRALIA'S biggest industry superannuation fund is considering hiring its own team to invest in global shares and debt as it works toward directly managing 30 per cent of its assets.

AustralianSuper, which holds $75 billion in retirement savings for 2 million members, was discussing where to locate the global equities team, chief executive Ian Silk said.

It had already begun internal management of $1 billion in Australian shares, he said.

AustralianSuper, which like its peers had previously paid external managers to invest nearly all of its assets, wants to cut management costs by $150 million a year within four years. The fund is aiming to hit the 30 per cent target by 2018.

It already has teams to manage infrastructure and property assets while its global stocks portfolio is with external managers.

"We're not sure we can recruit a good global equities team and have them based in Melbourne — that's principally the issue," Mr Silk said.

"If we can't, are we prepared to go offshore with all the attendant issues?"

The fund has been investing offshore since 1986 and in 2013 it had more equity investment globally than in Australia for the first time, he said.

AustralianSuper, which invested through external managers, had been unable to reduce the cost of asset management below 0.6 percentage points for its balanced portfolio, pushing the pension fund to look at bringing the process in-house, Mr Silk said.

It had $47 billion in the balanced portfolio at the end of last June, according to its annual report.

"We are now looking at asset classes to bring in-house and one of the asset classes is global equities," Mr Silk said.

"It's difficult to find organisations and individuals that have got stellar track records and who'll take a large amount of money.

"Even if they have the capacity to take $5 billion, they won't want to take it from one institution."

BLOOMBERG

Control fears at builder

Investors flee Leighton

KIM CHRISTIAN
DEALS

LEIGHTON shares have dived as investors worry about the construction giant's profitability, lower dividends and more than $5 billion in unpaid bills.

Investors are exiting amid concerns they will be left as minority shareholders in the Australian construction group under parent firm Hochtief.

The German company which is itself controlled by Spanish group ACS, has flagged widespread job cuts to Leighton's 56,000-strong global workforce after last week lobbing a $1.2 billion bid to increase its stake in the company.

In a review of Leighton's assets, Hochtief is considering whether to merge or abandon its John Holland and Thiess businesses.

Hochtief last week secured support from Leighton's board to take a greater stake.

Its shares fell 5 per cent in intraday trading before clawing back some ground to close 3.4 per cent lower at $20.65. They have fallen more than 7 per cent in the past three sessions.

Analysts said a lack of clarity around Leighton's direction led to the sell-off yesterday.

"There's increased uncertainty, especially around the key issue of the $US5.1 billion in unpaid bills," Morningstar analyst Ross MacMillan said.

Changes to the scope of works on key projects had worried investors and left doubts about Hochtief reaffirming Leighton's previously stated profit forecast and dividend policy, he said.

Last week, Leighton axed chief executive Hamish Tyrwhitt and finance director Peter Gregg in line with Hochtief's request to change its management and board.

Mr Tyrwhitt has been succeeded by Hochtief chief Marcelino Fernandez Verdes as the company undertakes a review.

"As a result of the general review by Leighton, already under way, some employees may become redundant," Hochtief said in a statement.

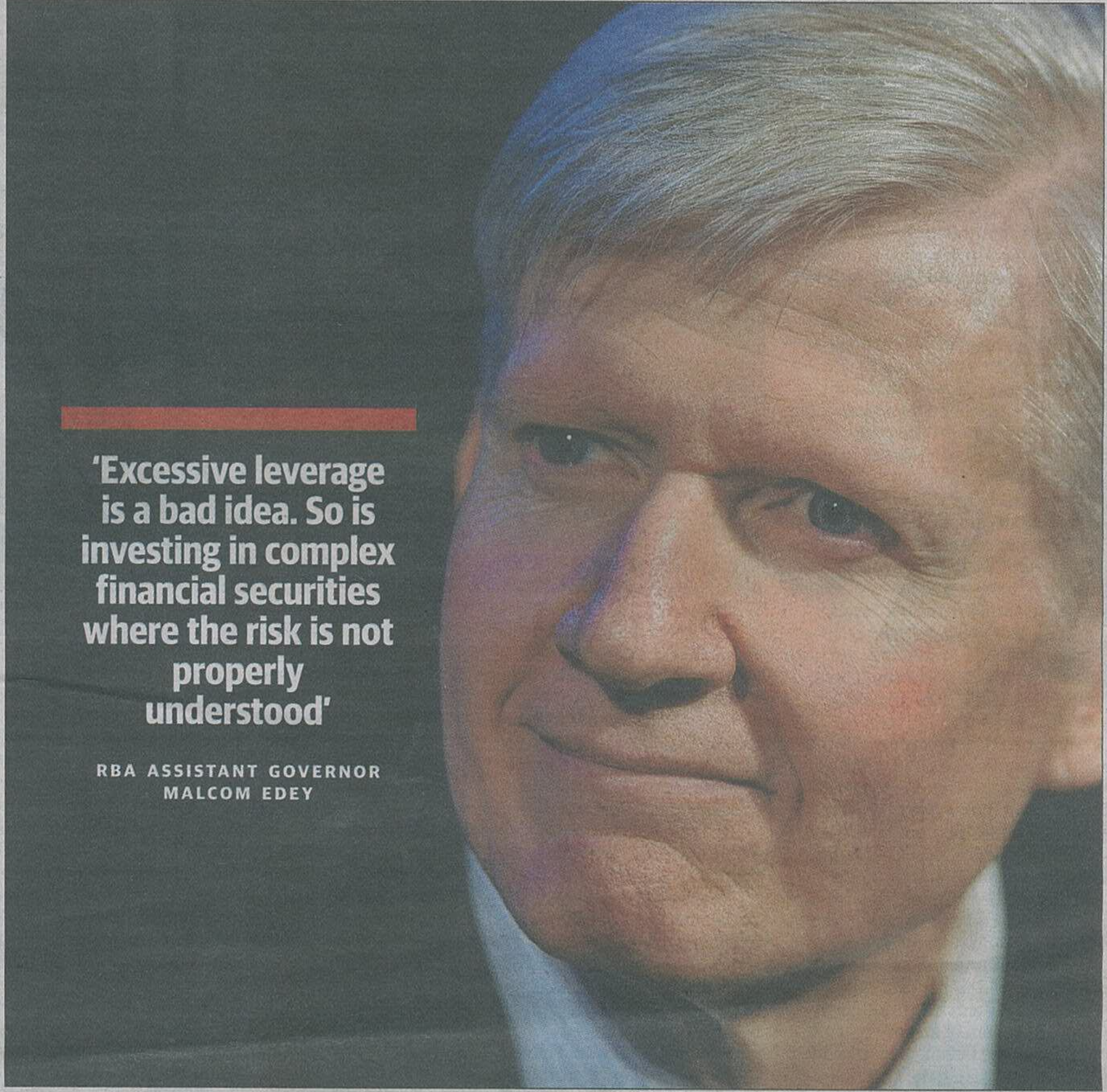
Hochtief last Thursday lifted its offer for three out every eight Leighton shares to $22.50 a share, from its March 10 bid of $22.15.

The general review of Leighton, which is looking at making its businesses more efficient, is expected to be completed by the end of the year.

Hochtief said the review might result in changes including the number and functions of employees, and asset sales.

The company plans to lift its stake in Leighton from 58.8 per cent to a maximum of 73.8 per cent at a cost of about $1.2 billion, subject to Foreign Investment Review Board approval.

AAP



CRISIS AVERSION IS RISKY BUSINESS – RBA

PAUL GILDER
THE ECONOMY

COMPANIES and financial regulators must find the balance between managing risk and promoting growth to avoid future financial crises, the Reserve Bank has said.

With the costly after-effects of the financial crisis late last decade still being felt in different ways across the world, the RBA said businesses had to understand their financial investments and banks needed better risk-management practices.

Australia had sound economic policy — and not just the mining boom — to thank for getting through the crisis relatively unscathed, RBA assistant governor Malcolm Edey said.

"Interest rates were at relatively normal levels — actually on the high side of neutral — in the lead-up to the GFC," Dr Edey said.

"This helped to limit some of the aggressive risk-taking seen elsewhere, and it allowed (the RBA) plenty of room to shift to a more expansionary stance when that was needed."

And while the failure of US bank Lehman Brothers accelerated the crisis, Australia's banks "remained profitable and well capitalised" and were "held to much higher standards of resilience than many of their international counterparts".

Dr Edey said the role of central banks "as managers of system liquidity risk" and their co-ordination with financial services regulators such as the Australian Prudential Regulation Authority was vital for risk-proofing.

The private sector also needed to learn and reinforce the lessons from the crisis even as the present-day low interest rate environment offered the opportunity to raise debt, Dr Edey said.

"Excessive leverage is a bad idea. So is investing in complex financial securities where the risk is not properly understood," he said.

ASIC raises the bar for company audits

REGULATION

THE corporate watchdog has released fresh guidelines to improve the standards of company audits.

The Australian Securities and Investments Commission yesterday issued a document on audit quality and the role of directors and audit committees in the process.

ASIC commissioner John Price said the quality of the independent audit process affected confidence in the standard of companies' financial reports.

"Audit is important to companies, so they can raise capital and conduct business, and so that investors are confident and informed," Mr Price said.

The guidelines cover topics including audit quality, the roles and responsibilities of directors and auditors, appointing auditors, and setting fees.

Mr Price said the quality of audits was crucial for interested parties such as creditors.

PriceWaterhouse Coopers managing partner Peter van Dongen welcomed the change. "It goes to the heart of what's required to give confidence to the markets," he said.

TOLLWAY GREEN LIGHT

CONSTRUCTION

PROPERTY and infrastructure group Lend Lease has been appointed preferred tenderer for a major new tollway interstate.

Lend Lease and French partner Bouygues Construction have secured the title for the $3 billion NorthConnex Motorway in Sydney. It will be overseen by Melbourne-based tollway operator Transurban.

A 9km twin tunnel, the NorthConnex Motorway will cost $2.65 billion. Lend Lease shares closed 0.9 per cent higher yesterday at $11.42.