Natixis buys majority stake in Investors Mutual, Tagliaferro to also sell shares

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Global asset manager Natixis has agreed to take a majority stake in top Australian equity manager Investors Mutual Limited after reaching a deal to buy all the shares of major investor, Pacific Current Group.

The fund manager's founder Anton Tagliaferro [http://www.afr.com/brand/boss/anton-tagliaferro-says-overseas-expansion-isnt-always-the-answer-20160406-gnzy86]will also sell an 11.9 per cent stake in the business to allow Natixis to take a majority position that values the fund at $300 million. The IML team will remain shareholders alongside Natixis, while Tagliaferro's stake will sit well above 20 per cent.

The Paris-based asset manager said in a statement it would pay as much as $155 million for the combined stakes, which would give it a 51.9 per cent stake in the top-rated equity manager that has over $9 billion of assets under management.

Anton Tagliaferro, the founder of Investors Mutual, will remain a large investor in the fund he founded. **Louie Douvis**

Mr Tagliaferro said that while IML was attracting inflows, the move towards passive and index funds was creating challenges for the industry, in particular retail focused funds.

"It's tough if you look at most industry data, most active funds are in outflow mode and a lot of the flows seem to be going into passive."
"We are still attracting inflows. Our capacity is around $11 billion and we are working steadily towards that target."

He said it was "business as usual" for IML as Natixis was a supportive and well resourced entity that would allow the team to retain its independence and autonomy.

The sale by boutique fund investor Pacific Current of its 40 per cent stake marks a huge gain on its initial investment.

Treasury Group, as it was formerly known, tipped in $2.86 million to buy IML in 2001 when the fund had $300 million of assets under management. IML was set up in 1998 by Tagliaferro.

Anton Tagliaferro, the founder of Investors Mutual will remain a large investor in the fund he founded.
Dominic Lorrimer

But the sharemarket did not receive the news well as the price achieved fell short of some analyst valuations of the fund, which had grown its assets by a third to over $9 billion in a tough year for the industry.

Shares in Pacific Current fell by 13.5 per cent to $6.73 as analysts came to terms with the sale, and its impact on future earnings.

Shares are well down from a five-year peak of $13.83 reached in April 2015, but have had a good 12 months, up from $3.51 in October 2016.

Broker Ord Minnett said the $120 million sale price fell short of its $187 million valuation and placed its $9.26 buy recommendation on review.

Pacific Current executive director Tony Robinson the company was a "reluctant seller" but they were "satisfied" with achieving "a fair price for a good business" of over 12 times IML's 2017 earnings of $24 million.

The proceeds would be used to pay down existing liabilities and to be deployed towards new investments.

Pacific Current Global chief investment officer Paul Greenwood said there were opportunities all around the world. While it was looking at one or two local investment managers "the most likely scenario is the next [investment] won't be in Australia"

The deal marks its first major acquisition in Australia by Natixis and its effective entry into the lucrative retail and superannuation market.

Natixis Global Asset Management head of Asia Pacific Fabrice Chemouny said the transaction was an "important" deal for the asset manager as it looked to expand its presence in the Asia region.

He said Natixis, which is an investor in US funds management giant Loomis Sayles, had a strategic plan to increase its exposure in the region from 5 per cent of assets to 10 per cent.

The investment in IML fitted with their intention of backing conviction, focused managers, he said.

"We strongly believe there is a space for both active and passive funds. We are choosing to be an active player, and will continue to invest in active managers," he said.

Mr Tagliaferro said "It had to be someone that would leave us independent and autonomous so from that point of view, it's business as usual."

Mr Chemouny said the environment of low interest rates had also increased interest in alternative asset managers, and it would be looking to invest in "liquid and liquid alternatives, private equity and private debt".

Natixis, which is part of the BPCE banking group in France, said the deal would shave 15 basis points off its common equity tier one ratio.

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