

Story Deborah Light
Photography Andrew Shaw

Eye on the prize

Money's winning fund manager Mike Crivelli isn't taking a relaxed attitude – he's not happy with what's going on in global sharemarkets

THEY DON'T COME MUCH more experienced than Mike Crivelli. Just eight years after he laid the foundations for his new-style fund manager, Perennial Investment Partners, his firm is Money's fund manager of the year. Crivelli is executive chairman of Perennial, which he co-founded with financial services provider, the IOOF Group.

He's watching rumbles on global sharemarkets and doesn't like what he sees. He's known to have a good eye – he's a bit of a legend among his breed. With three others – Rob Ferguson, Olev Rahn and Chris Corrigan – Crivelli helped turn BT Financial Group into an investment powerhouse during the 1970s and 1980s.

The star turn came months before the 1987 sharemarket collapse. The team backed their instincts and orchestrated a jaw-dropping derivatives play – involving put and call options – that got their investors through the crash virtually unscathed. Now 68, Crivelli's the only one of the four still in the advisory business full-time. He reckons he loves it, acknowledging: "I got a new lease of life with this."

At BT he'd grown disillusioned. "In the beginning our whole focus was on getting the right outcomes for the investors. As we got fatter and older and slower, and had probably 1000 people working in fund management, I think the emphasis shifted away from that being the prime requirement, to

building a brand on the basis that we were going to do badly at some point and the brand would protect us.

"I could see this happening in slow motion and I thought the prime focus has to be on getting outcomes for the investors."

He argues they might forgive you for short periods of under-performance but not over the long term. Crivelli left BT in 1996 and – armed with IOOF's \$2 billion under management, plus its fixed interest and Australian equities teams – established what became Perennial in 1999. It now has funds under management of \$25 billion through six boutique funds: Value Management, Growth Management, Fixed Interest, International, Asia and Real Estate Investment. Managers have equity ranging from around 40% to 60% in each.

"It's a bit of an arm wrestle," says Crivelli of how the equity balance is determined. "We set out to demonstrate that if you gave the guys who were managing the money a serious stake in their business – so their outcomes depend on the outcomes investors get – then they would be very focused."

A big plus is that this model promises relative stability in a highly paid, peripatetic trade. Perennial's newest fund, for example, started in January 2006 when a five-member global property investment team defected from Colonial First State to join Perennial. So successful has the model proved it is increasingly adopted elsewhere. Independent researcher Morningstar is a fan of the model. "They have long-tenured lead



Mike Crivelli (left) and Brian Thomas. According to Morningstar "they have two strategies – both growth and value – doing well in their respective peer groups".

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managers applying well thought-out strategies," says Anthony Serhan, head of research, of the 2007 performance: "What they have really fired on is the Australian equities space and more pointedly they have two strategies – both growth and value – doing well in their respective peer groups."

Another initiative has seen Perennial move into retail, previously outsourced to parent IOOF. Last year it appointed former head of distribution at Credit Suisse Asset Management, Brian Thomas as head of retail funds management to lead a team servicing the financial planning industry.

"They are specialising more and more; the feeling was the financial planners really wanted to be closer to the actual source of the management of the funds," Thomas explains. "We've also put a lot of work into making sure that we give them good investment information in a timely manner."

Crivelli knows how to read signs. What helped bring on the 1987 crash was money awash in the market. "It was an asset price boom caused by too much credit being available – exactly what's been happening in the US housing market." The reverberations are just beginning but are already spreading into major US investment houses. "There's enough going on that should make the market here very nervous because, if the US GDP – that's the number to look at – falls significantly below where people expect it to be, then, because the US is the biggest provider of demand – it's the biggest economy – then

that will affect resources prices etc. The Australian market is still going up like there's no tomorrow, but there is a tomorrow and it's coming soon, I think.

"I hope the gas goes out of the balloon in an orderly way," Crivelli says, but he worries this generation has no experience of readying for a major correction.

"You've got an enormous number of people who've never had the hairs on the back of their neck go up in fear. When the time comes, if it does, to quote former US Secretary of Treasury Robert Rubin, everyone will head for the door at once."

FACT FILE

Perennial Investment Partners

What you need to know

STARTED: 1999 by executive chairman Mike Crivelli (ex BT) and the IOOF Group
FUNDS UNDER MANAGEMENT: \$25 billion
INVESTMENT OPTIONS: Operates a suite of six specialist investment management boutiques offering a range of funds
BEST-PERFORMING FUND: IOOF/Perennial Flexi Trust - Growth Shares Fund
1 year 33.26%, 3 year 28.5%, 5 years 23.21%

Source: Morningstar to October 31