

Business Day

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NAB investment arm casts its first seeds



Striking out ... John Stewart is trying to steer NAB in a new direction for Australian banking.

Photo: *Jessica Shapiro*

Danny John
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THE growing move by fund managers within large institutions to set up their own boutique businesses has prompted National Australia Bank to set up a seed-bank operation which will take equity stakes in such breakaways.

The bank has launched a new division called nabInvest which yesterday made its first major investment, helping the executive team of Insurance Australia Group's in-house Australian equities fund management arm to go it alone.

NAB has agreed to take a 51 per cent stake in the new business, Northward Capital, which now has \$1.3 billion in assets under management.

The other 49 per cent will be held by Northward Capital's investment team, headed by chief executive Darren Thompson and top stock picker Simon Rutherford. They and four other senior managers have accumulated 38 years in running the IAG business.

It is expected they will increase their ownership to a majority holding in the coming years as NAB sells down to buy into other similar businesses. The size of the Northward deal has not been disclosed.

The sale marks the end of IAG's direct management of its own equity portfolio, an exposure to which it has been reducing over the past two years as it has concentrated on expanding its

main insurance business overseas.

However, IAG will still use Northward Capital to oversee part of its remaining equity investments in its shift to using outside fund managers.

IAG's decision is in marked contrast to NAB's direction. It has decided to get more involved in direct asset management as it seeks to expand under chief executive John Stewart from being a "manager of managers" through its MLC wealth division.

It intends to build nabInvest into a large stand-alone asset management division within the next five years, targeting such areas as property, infrastructure, private equity and global and domestic equities.

Mr Stewart said yesterday that taking equity stakes in small firms like Northward was part of strategy to develop new operations within the existing industry.

He has appointed a senior executive from NAB's UK division, Sydneysider Garry Mulcahy , to run nabInvest.

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