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HD **Europe clouding outlook: Investec**
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A SENSE of nervousness pervades the world's major economies, as concern about the strength of any recovery in Europe detracts from an improving outlook in Britain and the US, according to Investec **Group** chief executive Stephen Koseff.

Mr Koseff, possibly the world's longest-serving chief executive of a large bank, attended last week's annual meeting of the International Monetary Fund in Washington, where the consensus was that Britain and US economies appeared well set for growth.

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"But there's a bit of nervousness about deflation in Europe, and whether **China** can manage its transition from infrastructure to consumer-led growth," he said.

"It (the IMF meeting) didn't feel as bad as 2012, but Europe and **China** are looking a bit 'iffy' and France and Italy are the two countries that people are most worried about." As for Australia, the outlook was OK, with growth likely to chug along at just over 2 per cent.

Activity levels were "decent", but they had not returned to pre-financial crisis levels.

That said, there was no prospect of the "wheels falling off", with interest rates at historically low levels.

Mr Koseff joined South Africa-based Investec when it was a start-up in 1980. He became CEO in 1997, transforming it into a global wealth, investment and specialist lending **group** with \$220 billion in funds under management, up from \$50 million in the early 1990s.

In Australia, Investec quit banking in July with the \$440m **sale** of its finance and leasing business to Bank of Queensland, a **transaction** that Mr Koseff said was driven by the need to get bigger and compete with the mainstream players or get out.

The bank still has its Investec Australia **Property** Fund, a locally domiciled but South African-listed real **estate** investment trust, which is capitalised at \$140m and undergoing a rights issue to acquire up to \$400m in **commercial property** assets.

It also operates a boutique investment bank mainly focused on the mid-tier market.

Earlier this year, it advised Therese Rein, the wife of former prime minister Kevin Rudd, on the **sale** of her jobseeker **company** Ingeus in a deal worth as much as \$US206m.

The investment bank, however, has suffered some instability, with the loss of its head banker, Christian Nicks, earlier this year. In addition to these businesses, Investec continues to manage money for Australian institutional clients.

Mr Koseff said the **group** was not in the market to **buy** any local businesses, preferring to grow the operation organically.

“The opportunities for us have generally involved finding activities as banks around the world deleverage or refocus,” he said.

“We can be a beneficiary of that process, although it’s been seven years since the financial crisis so the opportunities have taken a long time to come through.

“The Americans got themselves sorted out pretty quickly, the UK is probably 90 per cent of the way through, and Europe is about 70 per cent.” Some opportunities could emerge in Europe, with the European Banking Authority publishing the results of EU-wide stress test on October 26.

The test assesses the resilience of EU banks to an external shock. Mr Koseff said the opportunities would mostly be “on the periphery”, as the most stressed financial institutions had already been “coaxed into” the necessary repair work through capital-raising or asset sales.

After 17 years in the job, Mr Koseff nominated a series of British funds management deals, enabling Investec to achieve scale, as the highlight. As for his worst deal, it was hard to go past the acquisition of the British subprime mortgage business Kensington on August 8, 2007 — strategically sound, perhaps, but appalling timing.

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