

# FINANCIAL REVIEW

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**BY** Agnes King  
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Invest like it's 1999 The country's rich-listers say the ideas coming out of the tech boom don't seem as far-fetched this time around, writes Agnes King.

The country's wealthiest families are increasingly chasing the newest new ideas and driving an entrepreneurial culture not seen since the height of the last internet boom.

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As AFR Weekend reported on Saturday, a decade of reticence after the bursting of the dotcom bubble in 2000, has given way to buoyant projections, eye-popping investments and market-shaking IPOs.

Markus Kahlbetzer, a member of one of the nation's wealthiest families, says high-net-worth individuals are committing more of their wealth to these speculative investments as a percentage of their total portfolio than they have in the past.

Kahlbetzer himself is investing north of \$15 **million** in emerging technologies, including \$6 **million** through early-stage venture capital **firm** Tank Stream Ventures.

Kahlbetzer's investment **company** BridgeLane was the **lead** Australian investor in mobile virtual network operator amaysim, which is being prepared for a \$400 **million** sharemarket listing.

He says the reason more money is flowing into new ideas is because "they don't seem so far-fetched".

"It's just a new way of doing things, a new way of going to market," Kahlbetzer said.

"Dyson is talking about robotic vacuum cleaners; is that speculative or just the way things are going?"

A unique factor of this cycle is that it comes when the nation's richest families are branching out into new investments, with enough capital to back themselves on big projects.

"A significant amount of money has been freed up from property deals or the divestment of assets. There are a lot of private owners looking to deploy capital," says Pitcher Partners Adrian Clerici, an adviser to many of Melbourne's well-heeled families.

Clerici has many new-economy clients, and he sees a growing appetite among the guardians of "old money" to follow the trail blazed by the Packer and notoriously private Liberman families, and invest in new ideas that are shifting control of distribution away from monopolies – like the new taxi technologies goCatch, Ingogo and Google-backed Uber which are undercutting giant Cabcharge.

Pitcher's Clerici believes this is a fundamental difference between this investment cycle and the dotcom boom of the late 1990s.

"Successful families and private groups will only invest in things they understand, and where they consider they can add strategic value, they consider themselves smart money," he said.

Kahlbetzer says institutional funds and venture capitalists will follow private wealth in investing in new concepts, but often come to the party when assets are overvalued or growth has plateaued.

Multimillionaire financial planner Julio De Laffitte is an example of someone who has made his money in a conventional industry, and is hedging his bets, having seen the early-warning signs of that sector's disintermediation by technology and automation.

He's contemplating investing \$50,000 in Perth start-up AccSource, which is applying artificial intelligence to tax and accounting compliance activities. He has also invested \$300,000 in Sydney start-up accelerator BlueChilli.

De Laffitte believes the transfer of old money into new ideas belies a desperate bid to remain relevant. "I see guys with influence and wealth becoming irrelevant by the minute because they've lost touch with what's coming," he says.

De Laffitte has shelled out \$1.3 million on an Arctic ship he intends to fill with 117 business elite and sail to the Antarctic in January, in a type of uber networking event designed to bring old money, influential businessman and new ideas together. Return of the entrepreneur

A sustained period of growth in equity markets has increased risk appetites and is driving an entrepreneurial boom, which some say will end in tears but will make savvy investors lots of loot along the way.

"People tend to be more open to invest in new ideas after periods of quite strong equity markets like we've had," says fund manager Geoff Wilson.

This exuberance has elevated the status of entrepreneurs, particularly as corporations search for growth and realise most innovation in their industry over the last decade has come from outside.

"Five years ago if you told people at a function you were an entrepreneur they thought it was an excuse for being unemployed – that's changed," said Chad Zani, who has just raised \$300,000 seed funding for a geo location car detailing service, based on Uber's wildly successful taxi model, due to launch early next year in seven different countries.

Zani says his concept will "massively mess" with established franchises like Crystal Carwash Cafes and Star Car Wash.

The head of innovation at professional services giant KPMG, Martin Ferguson, says there is something different about the elevated status of the entrepreneur in this particular cycle.

He believes we are at a crucial inflection point where new products are superseded more rapidly. This renders companies irrelevant more quickly. The average time a company spends in the S&P 500 index has declined from 75 years in 1937 to about 15 years today, according to John Hagel, of Deloitte's Centre for the Edge, which advises bosses on technology.

"The period through which companies remain relevant is challenged," says Ferguson. "There's intense competition to remain relevant." "You're seeing a shift in corporate thinking. It's not subtle, it's quite dramatic."

"Post the global financial crisis organic growth has been pushed as far as possible. There's only so much saving-your-way-to-prosperity. That's been exhausted."

Ferguson says companies are gradually beginning to realise that the only way to track above trend growth is to invest in something truly disruptive.

"Mature businesses knowing they need to disrupt themselves, that is unconventional," said PricewaterhouseCoopers partner James Nickless.

The response of companies like global engineering giant WorleyParsons and Telstra has been to recruit outsiders to spear-head their acquisition strategies.

The external appointments have, in theory at least, the skills to spend Worley's money more wisely, but also the gravitas to appeal to highly sought after investment opportunities.

"The best [emerging businesses] can pick and choose who they want to work with," says Pitcher's Clerici.

Corporations also realise that the majority of future innovation will also be external.

Annie Parker, a British expat lured to Telstra from European mobile carrier Telefonica to set up its innovation incubator, Muru-D, says most, if not all, innovation in the telco space over the last decade has been delivered by the likes of Google, eBay and start-ups that have done extraordinary things.

Incubator and venture capitalist BlueChilli has just completed a project with financial services giant AMP, and is about to commence another with Westpac, teaching their teams how to generate new ideas, how to permeate entrepreneurial thinking throughout the organisation, and embed it in the bank's DNA.

The Myer family has invested \$5 million, along with telecom entrepreneur Simon Hackett, to take BlueChilli's consulting arm global. Retiring execs become "mini investment banks".

Competing alongside Telstra and Worley for a stake in start-up gems are the likes of former Macquarie Group executive Bill Moss, who announced in June he will list his boutique investment fund Moss Capital, in a \$76 million capital raising.

Moss is emblematic of a broader demographic trend, according to disruptive events consultant David Chin, in which high-flying executives are retiring with the capital and expertise to become "mini investment banks".

"They've become mini deal doers," says Chin. That's why Big Four accounting firms are moving into that space because they want to provide services to them and capture deal flow."

Big Four firms, such as Deloitte and PricewaterhouseCoopers have, in fact, spent millions over the last two years positioning themselves in this space.

John Oldum is one such individual. Having merged Greencross Vets, the company he co-founded, with Mammoth Pet Holdings (owner of the Petbarn chain) in a \$338 million deal, Oldum is due to retire but "doesn't want to stop punching the clock".

He's purchased his ticket on De Laffitte's Antarctic voyage and has begun mentoring another of the shipmates, health and wellbeing entrepreneur Kim Phillips, who wants to scale chronic disease management centres in the same way Greencross established a network of veterinary clinics.

Oldum may invest in some of the start-ups he encounters but says the motivation is about knowledge transfer, not preserving capital.

"You might grow [your capital] if you strike the right well, but that's certainly not what it's about," Oldum says. What goes up must come down

Wilson Asset Management's Wilson is among those who say the exuberance will lead to a bust at some point. So too is Nick Hatzistergos. A William Buck adviser to a number of Sydney's wealthy families, as well as a director on a number of company boards. He feels this fascination with disruptive technologies and business models is just another boom-bust cycle.

"In the nineties anything dotcom attracted investment, now it's disruption or digital disruption," Hatzistergos says.

But serial entrepreneur Bruce Coombes, whose latest venture Quickfee is backed by the Smorgon family – Australia's wealthiest according to BRW – disagrees.

"A bubble requires concentrated investment in a single asset; that's not the case," Coomes says. Kahlbetzer, too, sees a soft landing ahead.

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