

— **Exclusive**

Kerr Neilson says Platinum CEO Clifford must go

Kanika Sood *Reporter*

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Kerr Neilson, the billionaire co-founder of Platinum Asset Management, is pushing for Andrew Clifford to step down as the fund manager's chief executive, and says he could be open to takeover offers as the company battles lacklustre investment returns and a slump in its share price.

Mr Neilson, who left the Platinum board in November

[<https://www.afr.com/markets/equity-markets/sharemarket-addict-kerr-neilson-farewells-platinum-20221116-p5byo3>], said he had been privately campaigning to split the chief executive and chief investment officer roles for years, despite being “embarrassed” to suggest the change given he also held both positions concurrently.



Kerr Neilson left the Platinum board in November. **Steven Siewert**

Mr Clifford became chief investment officer in 2013 and chief executive in 2018 after Mr Neilson – with a personal fortune of \$1.26 billion, according to *The Australian Financial Review's* Rich List – resigned from day-to-day operations. He has shared the investment role with Clay Smolinski since 2021 but remains the sole chief executive.



Platinum's funds including the flagship \$6.9 billion International Fund undershot their benchmark for years before showing signs of improvement,

[<https://www.afr.com/companies/financial-services/platinum-s-strong-returns-fail-to-stem-outflows-20230110-p5cbl6>] as value managers overtook growth investors amid rising interest rates.

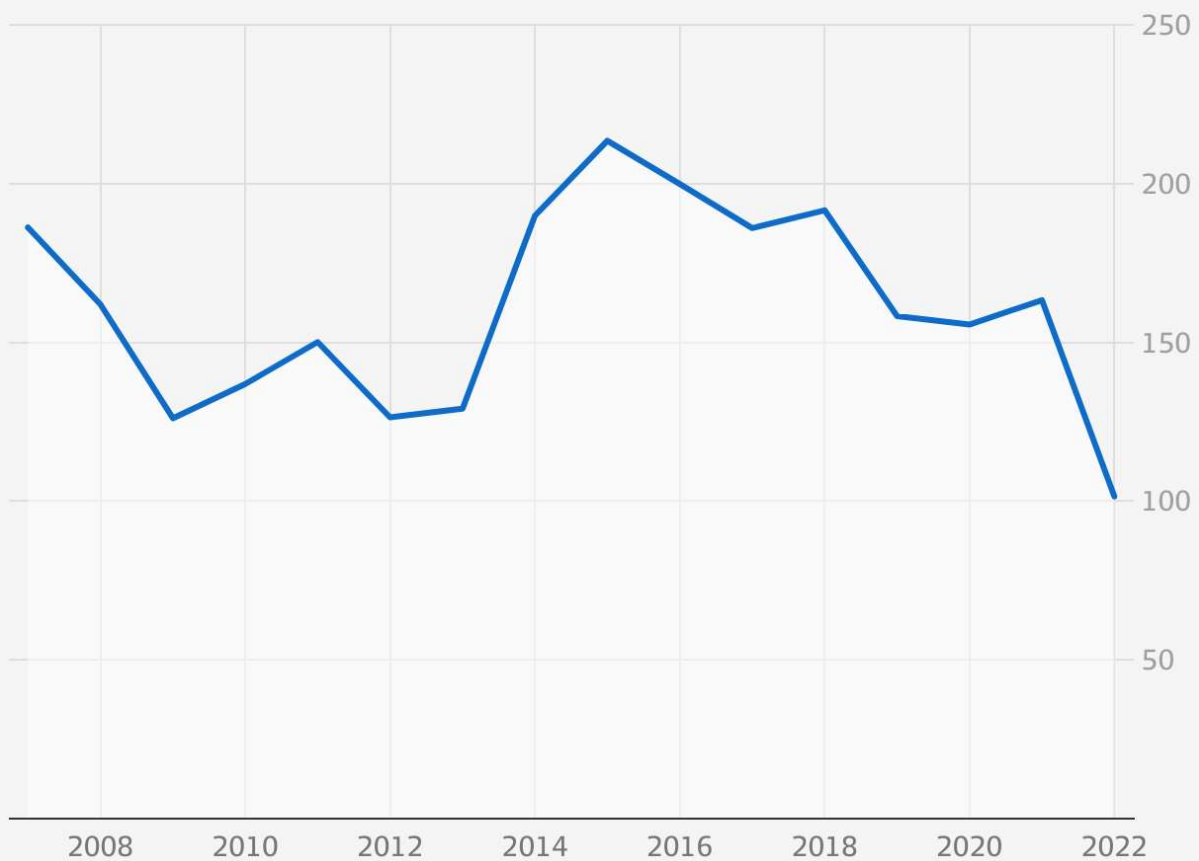
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However, poor returns have cut into fee-earning assets, which have fallen from about \$26 billion at their heyday to \$18.6 billion. This in turn has halved profits since 2015. Platinum's share price – it listed at \$5 in 2007 – has fallen 68 per cent in the past five years to last trade at \$2.23. The company reports its half-year results on Wednesday.

Mr Neilson, who remains Platinum's largest shareholder [<https://www.afr.com/street-talk/judith-nielsen-sells-4-9pc-platinum-stake-jarden-on-ticket-20220113-p59nux>], said the company should either split the chief executive and chief investment officer roles to sharpen team oversight, build trust and to encourage younger talent, or risk being swept up into the consolidation playing out in the funds management industry.

Platinum Asset Management avg profit (\$m)



Source: Platinum Asset Management

“The main issue is that if you have these commingled roles, I just think you don’t get enough critical assessment of the team and its behaviour,” Mr Neilson told the *Financial Review*.

“You run the risk of being the gamekeeper and the poacher. You’ve got to have someone appraise your own performance, and who does that. I’ve been agitating for it for a long time [but] no one was wanting to hear me. They didn’t see it as clearly as I did.”

Mr Neilson, who now invests his personal wealth and is a philanthropist, said his demand had put him in an “invidious position” because he held both roles when he ran Platinum.

“I felt a bit embarrassed to then ask someone else to split [the CIO and CEO roles]. But after seeing that we weren’t doing as well as we could do, I was much more strident about it. But failed to persuade others,” he said, adding it was the reason why he left Platinum’s board ultimately despite being the largest shareholder.

Mr Clifford did not respond to requests for comment on Sunday.

Photographed in May, 2019 after the CEO handover from Kerr Neilson to Andrew Clifford. Mr Neilson, who served as both the CEO and the CIO, believes Mr Clifford should cede the CEO role for accountability. **Wolter Peeters**

Gunning for change

Mr Neilson owns 21.4 per cent of Platinum, while Mr Clifford, his protégée turned co-founder and successor, owns 5.6 per cent. Regal Funds Management, a rival ASX-listed fund manager run by Phil King, is the third-largest shareholder with a 5.5 per cent stake. Mr King late last year made a surprise – and ultimately unsuccessful – takeover bid for Perpetual alongside Asian private equity firm BPEA EQT.

Mr Neilson could call for a new chief executive at the company's annual meeting – or call an extraordinary meeting. Both would be seen as hostile. An alternative would be for a competitor to acquire the fund management business, he said.

“If someone else comes in, [that] changes the situation. You know, there are [a] few people with stakes in the company, and they could [attempt a takeover],” Mr Neilson said.

The industry has continued to consolidate as active fund managers contend with the rise of passive investing via exchange-traded funds, which offer lower fees and broad-market exposures that can often beat stockpickers

[\[https://www.afr.com/markets/equity-markets/australian-share-funds-enjoy-rare-outperformance-20210907-p58pl2\]](https://www.afr.com/markets/equity-markets/australian-share-funds-enjoy-rare-outperformance-20210907-p58pl2) over longer time periods.

Many on the smaller end of the town have shut down [\[https://www.afr.com/street-talk/curtains-for-sydney-quant-boutique-redpoint-20220925-p5bksk\]](https://www.afr.com/street-talk/curtains-for-sydney-quant-boutique-redpoint-20220925-p5bksk), while the bigger end – like Perpetual, which acquired Pental [\[https://www.afr.com/companies/financial-services/a-200b-wealth-giant-is-born-as-perpetual-completes-pental-takeover-20230123-p5ceue\]](https://www.afr.com/companies/financial-services/a-200b-wealth-giant-is-born-as-perpetual-completes-pental-takeover-20230123-p5ceue) – combine to seek scale. Rival Magellan [\[https://www.afr.com/markets/equity-markets/magellan-s-hamish-mclennan-says-m-and-a-on-agenda-ahead-of-board-pay-vote-20221201-p5c2yc\]](https://www.afr.com/markets/equity-markets/magellan-s-hamish-mclennan-says-m-and-a-on-agenda-ahead-of-board-pay-vote-20221201-p5c2yc) Financial Group has also flagged it is open to M&A opportunities.

Mr Neilson said Platinum’s performance had improved and that the fund had benefitted from the shift away from growth managers which have had a torrid year [\[https://www.afr.com/markets/equity-markets/no-apology-pinnacle-boss-says-rising-costs-to-crank-future-returns-20230202-p5chd7\]](https://www.afr.com/markets/equity-markets/no-apology-pinnacle-boss-says-rising-costs-to-crank-future-returns-20230202-p5chd7) amid higher interest rates. He said Platinum had tasked its head of investments, Douglas Isles, to improve communication within its investment staff. However, he was not opposed to the company being acquired.

“When we started the businesses, [there was] only one criteria we had, which was serve your clients. And to serve your clients, well, you need independent thought [and] you need independent execution,” Mr Neilson said. “And if the company is taken over and that is emphasised, then everyone’s a winner.”



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<https://www.afr.com/companies/financial-services/magellan-perpetual-pental-the-year-funds-management-ate-itself-20221220-p5c7on>

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