



Patersons joins east coast partner

LOUISE BURKE

Patersons Securities' purchase of its distressed Melbourne rival Tolhurst eight months ago has laid the foundations for the WA broker's push into a new partnership with a high-flying Sydney corporate bond broker.

Patersons' expanded east coast network will be used as a platform to launch a new equal joint venture with fixed-income and hybrid security specialist Bryan Davies, who will lead the boutique business as chief executive.

Davies and Partners plans to take advantage of increasing company demand for non-bank debt and investor appetite for lower-risk fixed-income investment after last year's collapse of equity markets.

In previous roles with Salomon Smith Barney and UBS, Mr Davies has worked on big corporate debt deals including National Australia Bank's 1999 National Income Securities issue and the first of Common-

wealth Bank's PERLS hybrid securities issues — the latest of which, PERLS V, has attracted \$3 billion of interest this week.

He was most recently chief executive of wealth management group Yellow Brick Road, which he co-founded.

Mr Davies told *The West Australian* yesterday that Australian investors had a growing appetite for Australian non-government debt, pointing to Wesfarmers' oversubscribed \$500 million bond issue last week as a benchmark.

"I do think demand for investment in the area will have been given a big stimulus via the crisis for two main reasons," Mr Davies said. "One is that the crisis has changed asset prices so dramatically with the consequence that yields are now more attractive than has been seen for a long time. The second is that there has been a refocus on asset allocation.

"Traditionally, Australians have been heavily biased towards just equi-

ty investment, probably a by-product of the 15-year bull market, which affected credit, crushing yields and making fixed income products unattractive relative to equities.

"But the riskiness of that has been highlighted with the dramatic downturn the markets took last year and so I do expect that will flow through into more consistent demand."

Mr Davies said there were also niche opportunities to advise Australian companies on the re-purchase at a profit of oversold paper issued in overseas markets, particularly the US.

Patersons executive chairman Michael Manford said the Tolhurst expansion had cemented the opportunity to hook up with Mr Davies, giving the Perth-founded broker the critical mass on the east coast to market fixed-income products.

Patersons' financial results, due out later this month, are expected to show that the company broke even last financial year after a tough first half.