IFM BOSS TO STEP DOWN

ANDREW WHITE
FINANCIAL SERVICES

BRETT Himbury will step down as chief executive of funds management heavyweight IFM Investors by the end of next year, ending a 38-year executive career.

The $148 billion investment group said it would immediately begin a global search to replace Mr Himbury, who has run IFM since 2009.

During his career, IFM, which is owned by industry superannuation funds, has emerged as a major global investment player.

The former banker has overseen spectacular growth, with funds under management surging from $23.6 billion as it became one of the world's biggest infrastructure investors.

Mr Himbury listed the 2013 acquisition of NSW Ports by an IFM-led consortium for $5 billion among the major breakthroughs on his watch.

"Over the past decade, IFM Investors has transformed and globalised while retaining an unyielding focus — consistent with our industry super fund owners — on strong net returns to members," he said.

'The smoking gun'

Rise in jobless could force RBA's hand on rates

MICHAEL RODDAN
THE ECONOMY

THE Reserve Bank has more reason to cut interest rates again next month, economists say, after Australia's jobless rate climbed to 5.3 per cent.

Official figures reveal that last month, the unemployment rate ticked up from 5.2 per cent despite a solid increase in the number of jobs created.

It came as the proportion of people in or looking for work — the participation rate — climbed to a record high.

The Aussie dollar fell back below US78c yesterday after the jobless rate clocked in higher than analysts had expected. There were 15,500 extra full-time jobs created in August, while the part-time workforce grew by 50,000.

However, underemployment also crept up over the month, rising from 8.4 to 8.6 per cent, according to the Australian Bureau of Statistics.

The jobless rate is now substantially higher than the 4.9 per cent level reached in February.

It comes as slowing economic growth feeds through to weaker employment growth due to the trade spat between the US and China, global uncertainty over Brexit, and drought conditions and flood in different parts of Australia.

The RBA has warned unemployment must fall to about 4.5 per cent before wages will grow more strongly and help kickstart weak inflation.

This week, the central bank said the federal government's tax rebates of up to $1080 and back-to-back rate cuts in June and July had failed to get consumers to open their wallets.

Commonwealth Bank chief economist Gareth Aird said that before the employment figures were released, the market had put the chance of a rate cut next month at about half.

That was now 70 per cent, he said.

"We had previously pencilled in November for the next 25 basis point rate cut, but had flagged that the October meeting was 'live' and the decision would be data-dependent," he said. "We believe that today's labour force data is the smoking gun that will force the RBA's hand."

The participation rate edged up to a new record high of 66.2 per cent during August, indicating demand for labour is being met with increased supply.

BIS Oxford Economics senior economist Sean Langcake said this was keeping a lid on wages growth.

"While today's move is only a small one, it does provide further evidence that the labour market may be losing some momentum," Mr Langcake said.

THE AUSTRALIAN, WITH WIRES

Wake up, the fairytale is over

SHORT CUT

ROGER MONTGOMERY

THERE'S not much debate about whether unicorns exist. They don't.

When a private-equity-backed start up reaches a billion-dollar valuation — a valuation that is simply decided on and agreed upon by the owners of the business — it is called a unicorn.

Presumably the title refers to the rarity of such creatures. But in point of fact, unicorns are animals only found in fairy tales. It's fair to say that many of today's market unicorns shouldn't exist either.

Unicorns tend to be innovative companies with entrepreneurial founders harbouring unbridled egos and larger-than-life ambitions.

This week, one of the fabled unicorns — WeWork — had its IPO pulled after hoped-for valuations dropped from $US47 billion ($69.2 billion) to $US10 billion.

Aside from the fact the founder had been paid $US5.9 million for the rights to use the word 'We', we remained dumbfounded that a company that merely aggregated space and re-let it in smaller parcels to start-ups could have a market value greater than the aggregate of the companies that owned the real estate.

And let's not mention the "community based earnings" number being promoted, which excluded real estate costs — the primary business driver.

But WeWork isn't alone. Just as recently, Peloton has registered its intention to float with a 200-page prospectus.

Peloton is a purported $US8 billion company generating less than a billion of revenue and no profit. What does it do? It sells $US3000 stationary exercise bikes alongside a $39 monthly subscription to streamed spin classes and bike races.

Advocates see a business model that is like Apple or Gillette, selling an ecosystem and tying members into it.

But Peloton is a fad just like Jane Fonda's Aerobics Videos of the 1980s, Nintendo's Wii Fit in the 2000s and most recently, Soul Cycling/spin classes.

People will soon tire of their Peloton bike taking up space in their Manhattan bedsit and will move on.

And then there's Tesla. Founder Elon Musk may be a visionary, but he also paid his brother, who is a chef, $US6 million to sit on the board. And with Porsche, VW, Audi and Mercedes all launching electric vehicles, competition is fast approaching and Telsa has to cut prices to get the volume but it cannot manufacture them cheaply enough to make a profit.

Finally there's Uber, In the case of Uber, one can reasonably assume the loss of $US7.9 billion since 2009 is due to an attempt to leverage a first-mover advantage and create a 'network effect' — becoming more valuable as more customers adopted it. The only problem of course is that more Uber users doesn't make the service better. And Uber doesn't benefit from scale advantages either.

Of course, Uber's strategy necessitated the disruption of incumbent taxi businesses, which initially delighted regulators, but the strategy also relied on bypassing the proper employment of drivers, something society is becoming increasingly frustrated with.

Perhaps what Uber's backers didn't count on was the emergence of competitors such as Lyft in the US and Didi in China — evidence of not only lower-than-anticipated barriers to entry but also the commoditisation of the offering.

With WeWorks' initial public offering pulled and Tesla and Uber's share prices plunging, my prediction has not changed. These companies will go the way of their namesake: Drowned in a flood, and dead but not forgotten.

ROGER MONTGOMERY IS CHIEF INVESTMENT OFFICER AT MONTGOMERY INVESTMENT MANAGEMENT