Portfolio manager industry: 360° market view

The advent of a new era for the portfolio manager industry?

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2nd edition

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Foreword

Welcome to the second edition of our market insights on the portfolio manager (PM) industry.

As the first year after the deadline for portfolio managers to submit their licensing application to the Swiss Financial Market Supervisory Authority (FINMA) following the end of the transitional period in December 2022, 2023 is a landmark year for the industry.

Like any major regulatory overhaul, this is a catalyst for change requiring market players to evolve and adjust to a new era.

This leads to important questions as to how portfolio managers have tackled the regulatory requirements and how this is reshaping the industry, its dynamics and key trends for the future.

Licensing is a seal of quality, providing transparency in a market that was previously opaque. We believe that thanks to their entrepreneurial spirit, portfolio managers will continue to be key actors, a driving force and a solid pillar of the Swiss economy, further cementing Switzerland's position internationally as one of the world's leading financial centres for wealth management.

It should be noted that, we have adopted the FINMA terminology "portfolio manager" (also "wealth manager") for those that have applied or already have the licence and the term "asset manager" to refer primarily to managers of collective investments. In the context of this publication, independent asset managers (IAMs) is the old generic terminology and refers to market players before they are licensed by FINMA.

In the first part of our study, we estimate the impact of the licensing requirement on the size of the market in Switzerland in terms of both the number of portfolio managers and assets under management (AuM). Based on our experience and coverage of the industry gained through relatively extensive interactions and discussions with market players of all sizes, we provide insights into market sentiment looking forward for the next two to three years on the critical size and expectations of market consolidation, as well as trends in key strategic considerations.

The second part of our study consists of interviews we conducted with selected experts to give you a 360-degree view of the industry.

The views of experts on their strategic priorities, perspectives and outlook on the opportunities and challenges paint a rich and nuanced picture of the competitive landscape going forward in an increasingly complex world.

A warm thank you goes to all the experts who contributed to our publication with their valuable insights, from the leading Swiss Association of Wealth Managers to portfolio managers, asset managers and custodian banks through to compliance outsourcing companies.

The portfolio manager industry is thriving and there are exciting times ahead to seize growth opportunities.

We wish you an insightful read.

Christian Bataclan
Director
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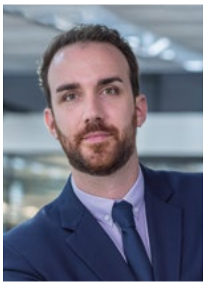

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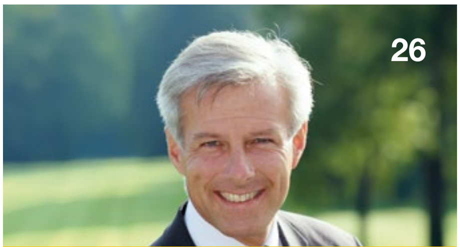

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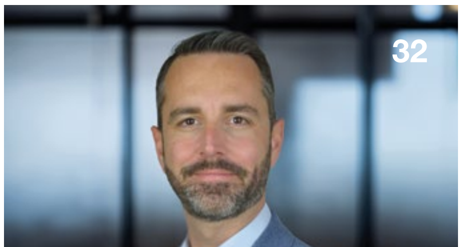

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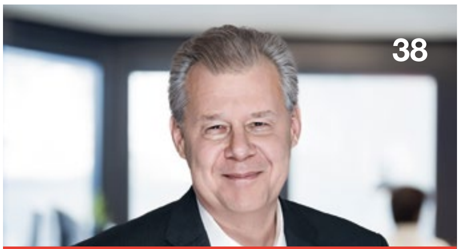

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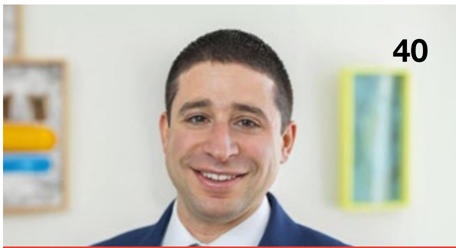

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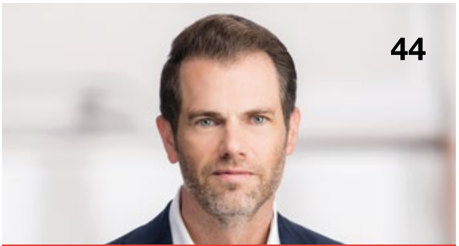

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Key takeaways

We estimate that the portfolio manager industry comprises 1,578 players representing approximately CHF 400bn assets under management at the end of October 2023.

Overall, looking at the evolution retrospectively, the number of portfolio managers declined by approximately 25% from an estimated 2,128 in 2020 to 1,578 as of October 2023.

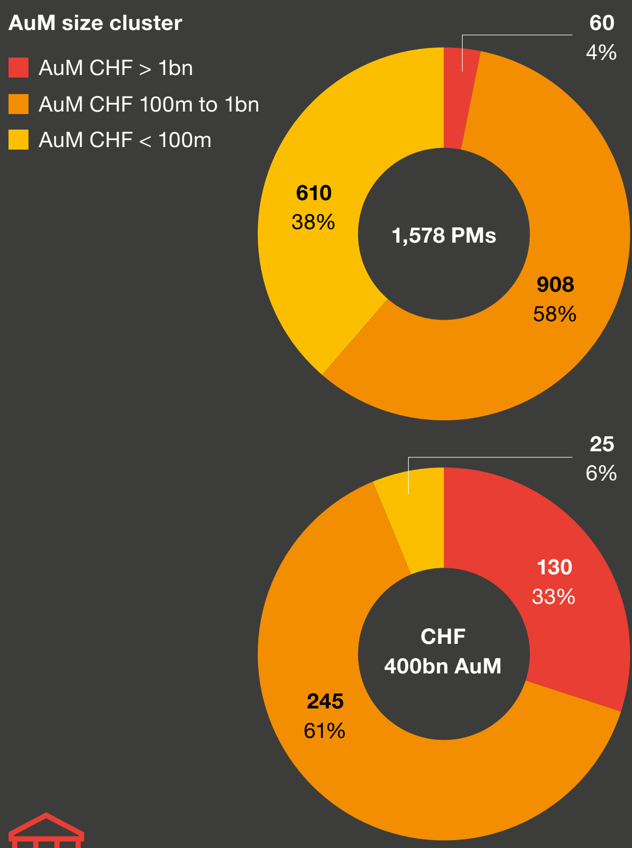
The first wave of the impact of the licensing requirement prompted 661 portfolio managers (around 30% of the 2,128 portfolio managers in 2020) to not undergo the licensing process by the end of the transitional period. This development was primarily driven by retirements and to a certain extent to economic considerations.

On the other hand, the licensing process has not been a barrier to entry, as at least 44 newly founded portfolio management companies have embarked on the entrepreneurial journey of going independent in 2023. Among others, we observe that new entrants in the industry include a relatively young generation of professionals taking the leap into entrepreneurship, bringing fresh new perspectives and dynamism to the industry.

Currently, 1,043 portfolio managers (66%) have received the licence from the FINMA. We would expect the remaining ongoing applications to be completed by the second half of 2024. Regionally, 56% of the portfolio managers are based in the German-speaking region of Switzerland, 34% in the French-speaking region and 10% in the Italian-speaking region.

In terms of market share, based on our estimates the industry is segmented into the following clusters:

- Large portfolio managers with AuM of above CHF 1bn account for 4% (60) of total portfolio managers and manage CHF 130bn in AuM, 33% of the total;
- mid-size portfolio managers with AuM of between CHF 100m and CHF 1bn represent 58% (908) of total portfolio managers and manage CHF 245bn in AuM, around 61% of the total;
- smaller portfolio managers with AuM below CHF 100m represent 38% (610) of total portfolio managers and manage CHF 25bn in AuM, around 6% of the total.



Scalability and critical size will be key in the future to remain competitive in order to tackle the increasing regulatory costs, in particular for smaller portfolio managers.

The step of going through the relatively lengthy process (on average 5 to 6 months) and ultimately obtaining a licence from FINMA is an achievement. However, it subsequently entails increasing regulatory costs.

We have indicatively estimated the regulatory costs to amount to a one-off amount of CHF 15-40k for licensing (e.g. for a small PM), and thereafter an increase in fixed costs triggered by licensing amounting to a recurring CHF 34-54k per annum under the new supervisory regime. Looking forward, these costs are likely to increase even more with evolving regulatory requirements. Whilst this is not a material constraint for mid- and large-size portfolio managers, it may represent a challenge for the vast majority of smaller portfolio managers with AuM of below CHF 100m. This is further accentuated if the return on assets is volatile owing to unfavourable or adverse market conditions, thus increasing pressure on margins and bottom-line profitability.

We expect in the next two to three years (2026-2027), a moderate consolidation in the range of 10%-25% in the number of portfolio managers. The challenge remains for PMs in finding the “right” partner in terms of cultural fit and chemistry in a relatively fragmented market to ensure legacy of the business.

It has often been speculated whether the entry into force of the licensing requirement would trigger a consolidation of the industry. In reality, up to the end of the transitional period the consolidation was relatively limited, but we are observing a tide change which we expect to accelerate in the next two to three years. The primary drivers (especially for smaller PMs) will be the experience of undergoing the first regulatory audits after obtaining the licence and succession planning considerations owing to the founders’ wishing to retire.

From our experience of the market and discussions with over 80 players, there are many different strategic considerations and dynamics depending on the AuM cluster. For instance, the latest key trend that we are observing is that not only larger players with above CHF 1bn in AuM are acting as consolidators on the market, but that several private-equity-backed PMs are also actively pursuing a buy-and-build strategy.

Smaller players are open and searching for opportunities to merge with similar size players to gain scale and realise synergies, preparing for succession planning, partnerships or even management buy-outs (e.g. by a younger employee) to ensure the legacy of the business they have built over decades.

In 2023, there were 11 publicly announced merger and acquisition (M&A) transactions (please refer to Appendix 1 for details). However, the actual volume of transactions is in reality higher, as most small cap deals are not disclosed publicly.

Economic reasons are, however, not sufficient for a deal to be successful. The cultural fit is equally important. Ultimately, for portfolio managers — the “SMEs” of the financial industry — it is crucial to find the “right” partner in a relatively fragmented market, as they are trusting the potential partner to be able to serve their clients going forward.

From the 13 expert interviews we conducted, the new era for portfolio managers sets also the scene for opportunities in the entire ecosystem and value chain of portfolio managers, managers of collective assets, custodian banks and compliance outsourcing companies.

We asked industry experts, including the Swiss Association of Wealth Managers, portfolio managers of various sizes, managers of collective assets, custodian banks and compliance outsourcing companies, about their outlook for the industry.

They regularly say that to remain competitive going forward and address increasing regulation and the associated costs, it will be crucial to have an efficient and scalable operational set-up matching the size of the PM, as well as to be agile.

The key success factors for the future from a commercial standpoint remain client centricity and the ability to adapt and develop the service offering to meet increasingly complex client expectations (including addressing generational wealth transfer), and professionalisation of the business model through digitalisation.

Further, we believe that going forward, technological advancement and innovation will intensify mutual, beneficial collaboration between all the actors in the ecosystem to shape the future of the industry.

Section 1

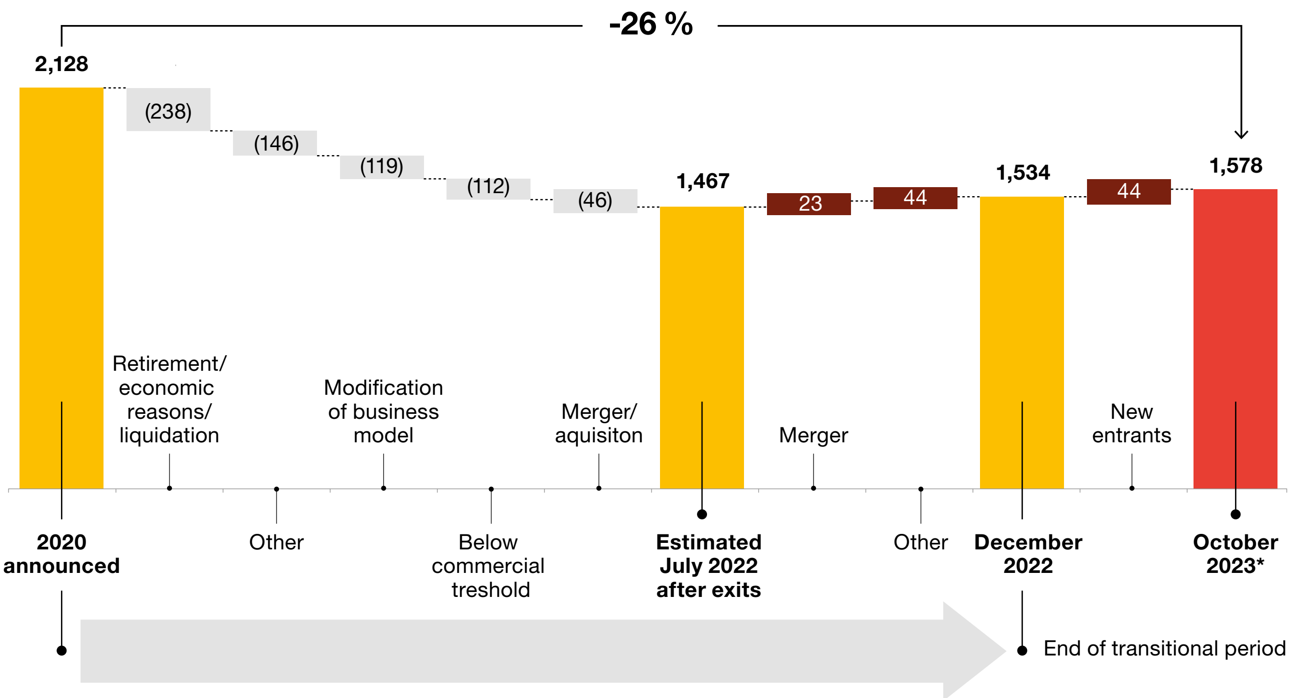
Portfolio manager industry trends

1.1 Navigating regulatory waters

Portfolio manager licensing status: quo vadis?

The last day of December 2022 marked the end of the transitional period for portfolio managers to submit their licensing application to the FINMA. The two-step application process consisted of a pre-examination and affiliation to a supervisory organisation (SO) and subsequent submission to FINMA, which ultimately grants the licence.

Figure 1: Estimated number of portfolio managers, development from 2020 to 2023[1,2,3,4,5]



* We assume that the number of portfolio managers remained unchanged since last FINMA publication[1]

Looking at the evolution retrospectively (Figure 1), it can be observed that the first wave of the impact of the licensing requirement's entry into force prompted 661 portfolio managers (around 30% of the 2,128 portfolio managers estimated in 2020) to not undergo the licensing process. The main grounds were primarily the retirement of the owners, economic considerations, modification of the business model (the service offering has to be actually changed, and can no longer, for example, consist of discretionary portfolio management services under the terms of Art. 17 of the Financial Institutions Act (FinIA)) or operating below commercial thresholds (Art. 19 of the Financial Institutions Ordinance (FinIO)). We also observe that 46 portfolio managers, probably of smaller size, decided to merge and hand in a single licensing application.

On the other hand, the industry remains attractive and the licensing requirement has not discouraged new entrants from taking the entrepreneurial route. Indeed, there were an estimated 44 applications made in 2023 by established portfolio management companies. One possible driver is this year's major events around the acquisition of Credit Suisse by UBS, which according to press reports may have prompted some relationship managers to become independent. We observe also that a new breeze of relatively younger generation of professionals are taking the entrepreneurial path with innovative ideas.

[1] FINMA. (2023a). FINMA Guidance 03/2023: status of the licensing process for and supervision of portfolio managers and trustees. Retrieved from https://www.finma.ch
[2] FINMA. (2022a). FINMA Guidance 02/2022: first measures in cases of late applications from portfolio managers and trustees. Retrieved from https://www.finma.ch
[3] FINMA. (2022b). Symposium for Portfolio Managers and Trustees. Retrieved from https://www.finma.ch
[4] FINMA. (2021). Initial experiences with the licensing process for portfolio managers and trustee. Retrieved from https://www.finma.ch
[5] PwC Analysis

As of the end of October 2023, 1,043 PMs (Figure 2) have been granted the licence by FINMA and are monitored by an SO or supervised by FINMA.[6,7] Assuming a total number of 1,578 portfolio managers, this means that 66% are licensed at the time of this publication.

Figure 2: Distribution of licensed portfolio managers by region and canton, including affiliation[1,5,6,7]

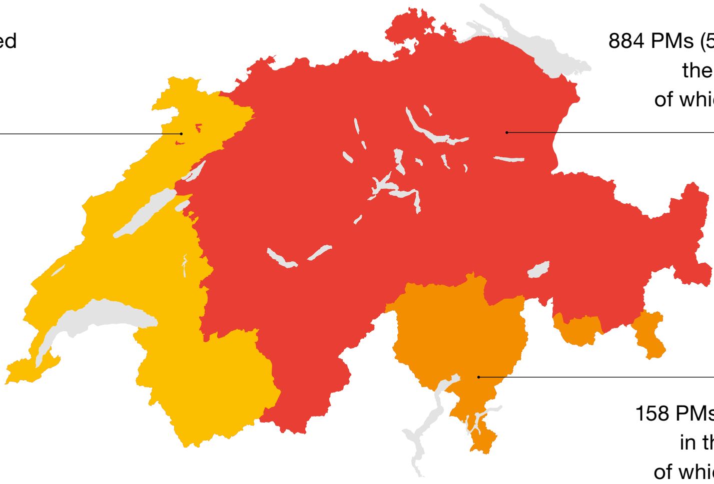
536 PMs (34% of total) are located in the French-speaking region, of which 275 (51%) are licensed.

884 PMs (56% of total) are located in the German-speaking region, of which 628 (71%) are licensed.

French-speaking region

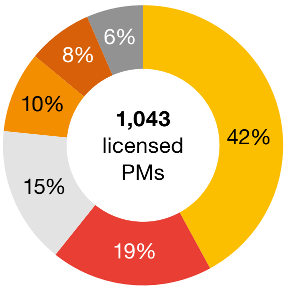
German-speaking region

Italian-speaking region



158 PMs (10% of total) are located in the Italian-speaking region, of which 140 (89%) are licensed.

	German-speaking region							French-speaking region					Italian-speaking region	Total licensed
	ZH	ZG	BS	SZ	AG	GR	Other*	GE	VD	VS	FR	NE	TI	
# licensed PMs	346	83	41	38	23	20	77	207	48	11	5	4	140	1,043
in % of total licensed	33%	8%	4%	4%	2%	2%	7%	20%	4%	1%	1%	1%	13%	100%



AOOS – Schweizerische Aktiengesellschaft für Aufsicht

FINcontrol Suisse AG

Organisation de surveillance financière (OSFIN)**

Supervisory Organization for Financial Intermediaries & Trustees (SO-FIT)

Supervised by FINMA

Organisme de surveillance des instituts financiers (OSIF)**

* The category 'Other' refers to the following cantons: Appenzell Ausserrhoden and Innerrhoden, Basel-Landschaft, Bern, Glarus, Lucerne, Nidwalden, Obwalden, Schaffhausen, Solothurn, St. Gallen, Thurgau, Uri and Valais

** Update compared to the version published on December 15, 2023: OSFIN 15% (previously 6%) OSIF 6% (previously 15%)

For the 535 (34%) portfolio managers whose licence application is pending, the regulator said it was adopting a risk-based approach to prioritise granting the licence (depending on factors such as indebtedness, number of clients, assets under management or new applications having not benefited from the transitional period). The average processing time is reported at around 5-6 months[3]. At this rate, it would be reasonable to expect that pending applications will be processed by the second half of 2024. FINMA regularly updates and publishes the list of licensed portfolio managers, thus improving transparency on the market.

Not only in Switzerland, but on the international scene as well, the licence is perceived as a seal of quality which we believe in the long term will continue to enhance Switzerland's appeal as a financial hub for asset and portfolio management, given that the industry is more strictly regulated and offers increased investor protection.

[6] FINMA. (2023b). List of portfolio managers and trustees licensed and supervised by FINMA. Retrieved from https://www.finma.ch
[7] FINMA. (2023c). List of portfolio managers and trustees licensed by FINMA and monitored by a supervisory organisation. Retrieved from https://www.finma.ch

According to FINMA, the total AuM of the 898 licensed portfolio managers as of June 2023 comes to as much as CHF 177bn (the regulator has, however, not disclosed the total industry AuM). The median AuM for the licensed portfolio managers amounts to CHF 61m, meaning that 449 licensed portfolio managers have AuM of below CHF 61m, albeit with a large spread from one institution to another. In terms of company size, the median full-time equivalents (FTEs) of the licensed PMs is three.[1]

Based on publicly available data as well as our proprietary industry knowledge, using both a top-down and bottom-up approach, we estimate that the industry for portfolio managers (i.e. legal entities under Art. 6 FinIA that possess at least the PM licence) has approximately CHF 400bn in AuM (Figure 3).

Figure 3: Estimated market segmentation by AuM size bucket and number of PMs as of October 2023[1,5]

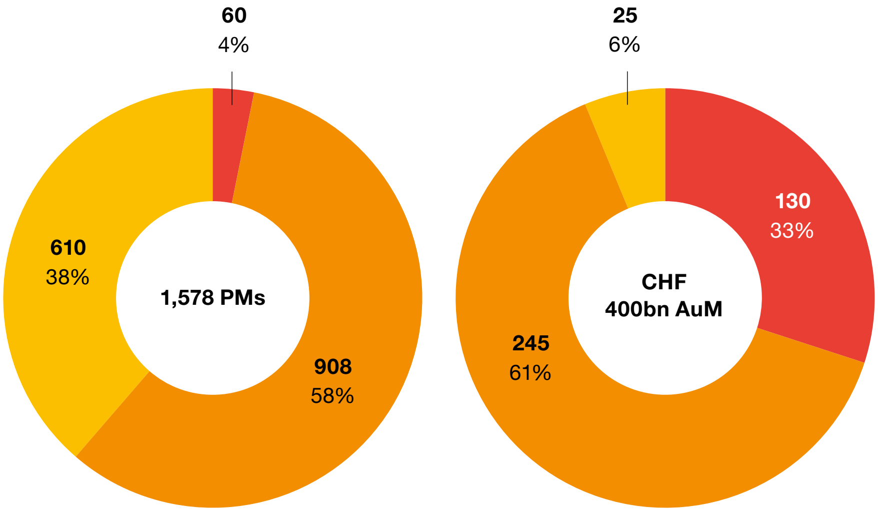
AuM size cluster

- AuM CHF > 1bn
- AuM CHF 100m to 1bn
- AuM CHF < 100m

The largest 60 PMs (4% of total) manage AuM of CHF 130bn (33% of total)

908 mid-size PMs (58% of total) with AuM of between CHF 100m and CHF 1bn account for total AuM of CHF 245bn (61% of total)

Based on our estimate 610 PMs (38% of total) manage AuM of below CHF 100m, representing total AuM of CHF 25bn (6% of total)



Note that from the custodian bank perspective, portfolio managers have a multi-custodian offering (3-5 custodians on average, and more than 30 for the largest ones) depending notably on their clients' size and needs. The large banks collect the majority of portfolio managers' deposits (e.g. Julius Baer, Lombard Odier, Pictet, UBS and Vontobel).

Obtaining the portfolio manager licence is an achievement. What does it entail in terms of compliance and regulatory costs?

We aim to form a view of the critical volume of assets under management for a typical portfolio manager in conjunction with the expected increase in regulatory costs once it has the licence. Our approach is based on our experience of the industry supported by our research and quantitative datapoints, from which we derive tendencies and industry averages. As a caveat, however, we would point out that each portfolio manager and business model is different, so we would advise portfolio managers to assess their situation in the light of the following indicative market averages and adjust accordingly for their specific business model.

Our first step is to outline the main additional (one-off and recurring) costs resulting from the FINMA licensing process (Figure 4). In addition to the new organisational requirements, the licensing process also leads to several additional costs.

Figure 4: Estimated regulatory costs[5]

Requirement	Description	Estimated costs
Licensing **(FinIA, Art. 5)**	Formal process to apply for the FINMA portfolio manager licence, usually with external support	One-off CHF 15k–40k, assuming external support
Minimum regulatory capital **(FinIA, Art. 22, 23)**	Share capital of at least CHF 100k and own funds of at least 25% of fixed costs Note that other provisions in the Swiss Code of Obligations (Art. 671, 672) govern the constitution of statutory capital reserves, retained earnings and dividend distribution	One-off, case-by-case capital increase needed to meet the minimum share capital requirement One-off and ongoing adjustments to meet the minimum own funds requirement
Regulatory audit **(FinIA, Art. 62)**	Once a year for the first 2 years. Subsequent audits depend on the risk profile of the portfolio manager and may range from once a year to once every 4 years	Recurring CHF 10k–20k in audit fees per annum (p.a.), only indicative
Supervisory organisation fees (including FINMA fees) **(Financial Market Supervision Act (FINMASA), Art. 15)**	Financing of supervisory organisations and FINMA, which is calculated on the size of AuM	Recurring CHF 4k approx. p.a. (up to CHF 8k for large PM)
Compliance/Risk management **(FinIA, Art. 21, al. 1 to 3)**	Recruitment of employees or delegation to qualified external resources to carry out specialist tasks such as risk management and/or compliance (including deputy costs) For smaller PMs without high-risk activity, as per FINMA classification, these functions may be incorporated to the operational activities	Approximately hiring 0.2 FTE or CHF 20k-30k in the event of outsourcing p.a. (including deputy staff), for example, for a PM with AuM of CHF 100m
Internal control system **(FinIA, Art. 9, al. 2)**	Effective organisation for the identification, measurement, control and monitoring of risks, including legal and reputational ones	Case-by-case investment needed to meet requirements
Total estimated costs	**One-off cost for licensing: CHF 15k-40k** **Recurring: increase of CHF 34k-54k (approximately CHF 45k) p.a.** **We draw your attention to the fact that these costs reflect only an illustrative setup of the business model. Another setup (e.g. incorporation of compliance and risk management functions to the operational activities) would have a different cost structure**	

Based on our analysis, we identified approximately CHF 45k in additional recurring costs resulting from the licensing and up to CHF 40k in one-off costs. Our estimation predominantly pertains to smaller size PMs. Whilst these costs may not be material for medium-size or large portfolio managers, smaller portfolio managers would be more severely impacted.

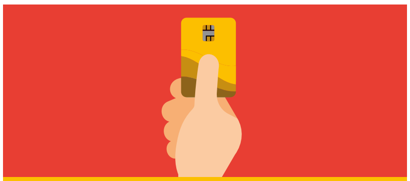
To determine the critical volume of AuM for a portfolio manager, the second step is to estimate the main line items of the income statement based on our experience of the industry and assumptions on the underlying key drivers.

Revenues

The portfolio manager's core business is the income generated from management fees on AuM, either through discretionary portfolio management or advisory mandates. In our experience, management fees range between 30 to 125 basis points (bps), depending mainly on factors such as client mix (predominantly institutional clients would be at the lower end of the spectrum) and the regional focus of clients. We did not identify any specific correlation between the portfolio manager's volume of AuM and the tariffication, with an overall industry average of around 80bps, which we have used as an assumption.

As the year-on-year AuM fluctuates with the asset allocation strategy, currency exposure against the CHF (if, for example, the client book is predominantly denominated in foreign currency such as EUR and USD) and overall market performance, so do the recurring management fees. Smaller portfolio managers with less scalability are therefore more exposed to market volatility, meaning that cost control is paramount. In limited cases, there are portfolio managers who also earn income from performance fees and, provided they have the capabilities, other source of revenues for diversification consisting of providing ancillary services such as financial planning and tax advisory services. However, we did not account for this in our analysis, as the situation varies from one portfolio manager to another.

Portfolio managers usually have a multi-custodian offering and aim to optimise the custody fees. Indicatively, from our observations, custody fees may range between 2bps and 20bps.



Personnel expenses

Personnel expenses represent the largest cost drivers for portfolio managers, ranging between 60 and 80% of overall expense. There is obviously a strong relationship between a portfolio manager's volume of AuM and its number of FTE employees. Our more granular proprietary analysis estimates that for a smaller portfolio manager with AuM of less than CHF 100m, the average number of FTEs is two and that the number of FTEs increases by one on average for each additional CHF 100m of AuM up to CHF 1bn.

Personnel expenses depend to a great extent on revenue-generating capacity and may be fixed at the discretion of the portfolio manager, provided their costs are covered first. While we have encountered compensation levels in all ranges, for the sake of our analysis we work on the assumption of yearly compensation (including social charges) of CHF 135k per FTE. Note that we have also observed that the most profitable portfolio managers distribute any excess profit as dividends to the founders and shareholders.

Other operating expenses

We also consider the remainder of operating expenses including rent, IT (expenses for portfolio management software, data feeds and other technology tools used in managing client portfolios), marketing (expenses related to client acquisition, advertising, promotional materials and events) and other administrative expenses.

While each PM manages its infrastructure and costs in its own way, we typically see other operating expenses amounting to 15-25% of total costs.

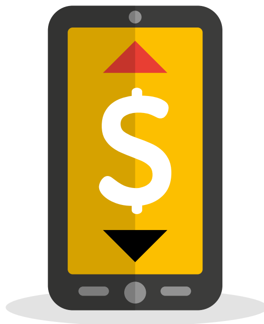


Figure 5: Indicative sensitivity analysis of increasing regulatory costs for smaller portfolio managers based on our assumptions[5]

	Example 1: AuM CHF 50m		**Example 2: AuM CHF 61m (median of licensed PMs)**		**Example 3: AuM CHF 100m**	
CHF in thousands	Before the licence	After the licence	Before the licence	After the licence	Before the licence	After the licence
Revenues (Management fees)	**400**	**400**	**488**	**488**	**800**	**800**
Personnel expenses	(270)	(270)	(270)	(270)	(270)	(270)
Regulatory costs	(15)	(60)	(15)	(60)	(15)	(60)
Other operating expenses	(70)	(70)	(70)	(70)	(70)	(70)
Total operating expenses	(85)	(130)	(85)	(130)	(85)	(130)
Total operating costs	**(355)**	**(400)**	**(355)**	**(400)**	**(355)**	**(400)**
EBITDA	**45**	**–**	**133**	**88**	**445**	**400**
KPIs						
AuM in mCHF	50	50	61	61	100	100
RoA in bps	80	80	80	80	80	80
FTEs	2.0	2.0	2.0	2.0	2.0	2.0
Avg. personnel expenses per FTE in kCHF	135	135	135	135	135	135
EBITDA margin	11%	0%	27%	18%	56%	50%
% personnel expenses/total costs	76%	68%	76%	68%	76%	68%
% regulatory expenses/total costs	4%	15%	4%	15%	4%	15%
% other OPEX/total costs	20%	17%	20%	17%	20%	17%

Based on our analysis and the aforementioned assumptions, it appears that comparing the situation before and after licensing, smaller portfolio managers with AuM of CHF 50m would see EBITDA at break-even (Figure 5). All other things being equal, we have similarly simulated an example for a PM with AuM of CHF 61m (representing the current median of the licensed PMs) and a PM with AuM of CHF 100m. The most substantial impact of rising regulatory costs is observed for PMs with AuM of CHF 50m and below, highlighting the necessity to tackle an increasing fixed cost base by growing the asset base to remain profitable.

Our analysis does not mean, however, that portfolio managers below this threshold are too small to survive. Indeed, we have encountered smaller PMs with a small structure, high margins and a lower cost structure that allow them to sustain the increased regulatory burden.

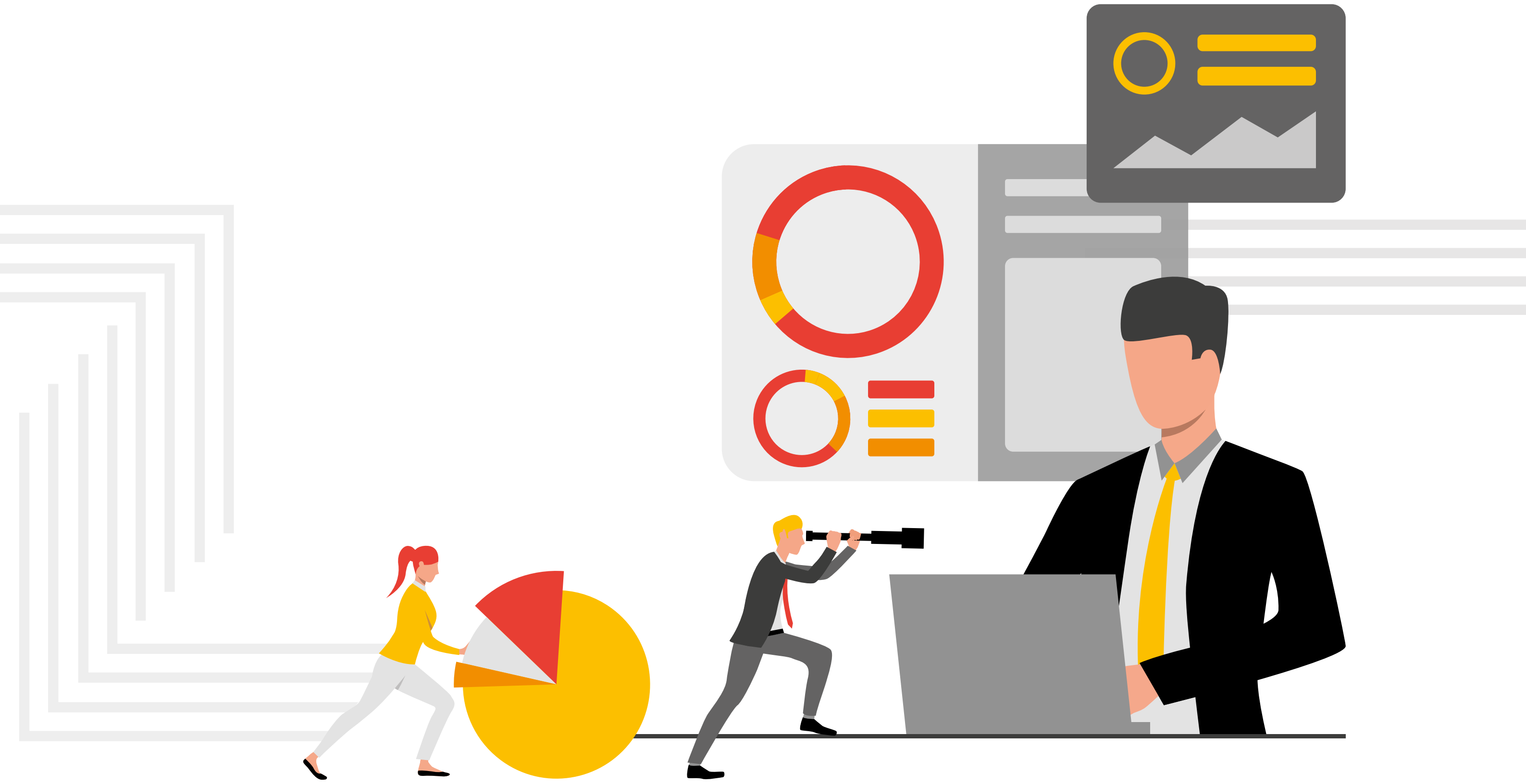
The following points should nevertheless be borne in mind when considering the regulatory changes:

1. margin erosion will be more acute in a downturn market, in combination with the increasing costs;
2. apart from reducing personnel expenses, there is only relatively limited scope for reducing other operating costs, which are mainly fixed. This can further increase pressure on portfolio managers in adverse situations;
3. regulatory requirements also call for a change in the way day-to-day business is conducted, requiring greater professionalism and reporting to the regulator. This represents a non-negligible non-monetary cost and may be time-consuming.

1.2 Outlook and strategic considerations

Based on our nationwide coverage of the market and market intelligence gathered through numerous interactions, attending events and discussions with over 80 market players of different sizes across the whole spectrum, several topics seem to recur with regard to strategic considerations and outlook:

- critical size in terms of AuM;
- key success factors for the future;
- expectations of market consolidation.



Critical size

Critical size in terms of assets under management and scalability will be key to operating successfully in the future. Indicatively, market sentiment tends to say that a minimum of at least CHF 100m would be required going forward to remain profitable and operate under the new supervisory regime, which is even higher than the indicative estimate in the previous section.

The search for scalability to attain a minimum critical size could be a catalyst of potential consolidation in the industry following the first regulatory audits, with portfolio managers below a sustainable threshold seeking strategic options such as joining forces with other portfolio managers to achieve economies of scale.

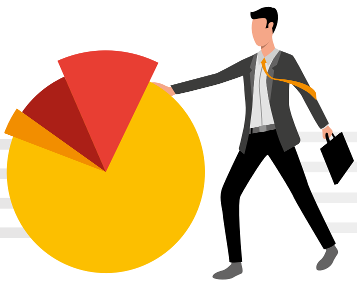
Key success factors for the future

After the licensing hurdle has been overcome, the key factors in remaining competitive in the future will include the ability to be agile and remain compliant with evolving regulations from FINMA.

We expect the regulatory environment to become increasingly complex, for instance in terms of risk management requirements. Business model operations and processes (e.g. portfolio management systems, client onboarding, compliance manuals, etc.) will therefore need to be efficiently set up, which includes considering outsourcing rather than insourcing certain functions such as compliance and risk management. There is a correlation between business complexity and finding the right balance to operate efficiently and comply with regulatory requirements.

Another competitive advantage will be innovation in service offering and investment expertise to craft a unique selling proposition that will appeal not only to the legacy client book, but also to a new generation of clients with their specific expectations.

The overall increase in transparency, with an official list of licensed portfolio managers published by FINMA, will drive competition among portfolio managers to gain market share. Potential national and international clients in search of personal, bespoke advice will find it easier to contact, compare and choose the best service offering from the universe of licensed wealth management boutiques.

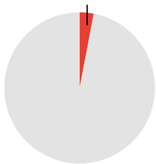
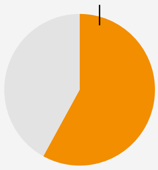
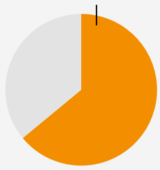
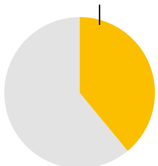
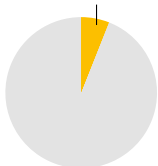


Expectations of market consolidation

From our experience of executing transactions on the market, the key strategic considerations and drivers of transaction dynamics are as shown in Figure 6. In Appendix 1, you will find further details of recently publicly announced merger and acquisition transactions, of which 11 took place in 2023. As most small cap deals are not disclosed publicly, the actual volume of transactions is in reality higher.

In the next two to three years (2026-27) we would expect to see a moderate consolidation, in the range of 10-25%, in the number of portfolio managers. This would mean that the number of portfolio managers would decline from 1,578 at present to somewhere between 1,180 and 1,420. We expect that the total AuM of the PM industry will continue to grow, however, it will be more concentrated on a smaller number of players.

Figure 6: Key trends and strategic considerations[1,5]

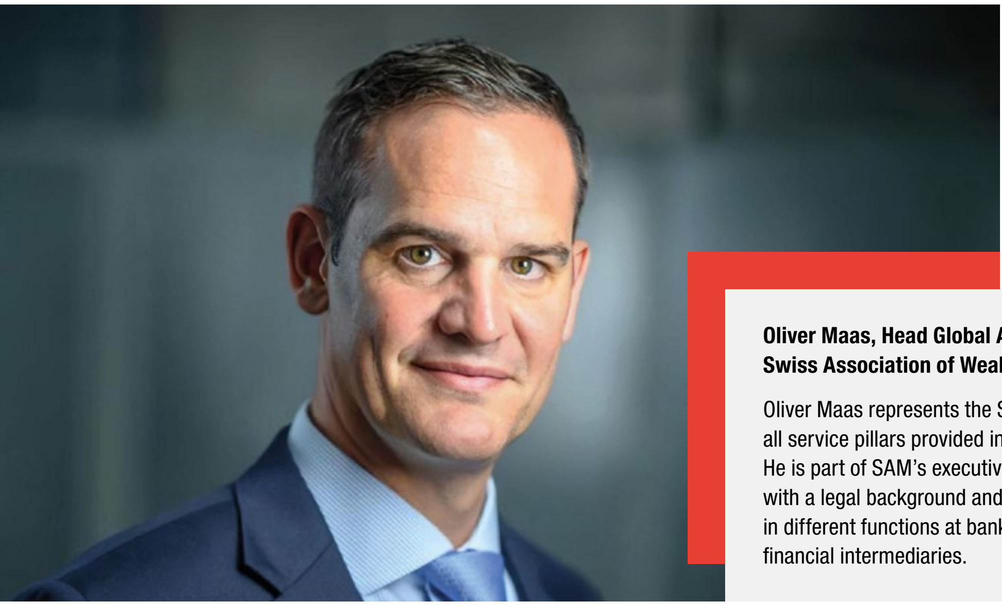
Size	Total estimated number of PMs	Total estimated AuM in CHF bn	Key dynamics and strategic considerations
Large portfolio managers **with AuM above CHF 1bn**	**60** (4%) 	**130** (33%) 	Large portfolio managers are acting as consolidators as part of their inorganic growth strategy. Thanks to their strong scalable operational set-up and governance, their business model can be leveraged into a platform to efficiently onboard smaller portfolio managers. Various schemes are offered on the market, typically in the range of 50/50 up to 80/20 revenue sharing and cost contribution split, including threshold mechanisms and options for portfolio managers to acquire an equity stake. Private-equity-backed large portfolio managers are active with a buy-and-build strategy. Thanks to their significant financial resources, they are able to acquire mid-size up to large portfolio managers.
Medium-size portfolio managers **with AuM of CHF 100m to 1bn**	**908** (58%) 	**245** (61%) 	Mid-size portfolio managers can acquire smaller portfolio managers or offer strategic partnership opportunities to collaborate. As most medium-size portfolio managers are large enough to be profitable on their own, they are rather opportunistic in terms of inorganic growth opportunities.
Small-size portfolio managers **with AuM below CHF 100m**	**610** (38%) 	**25** (6%) 	Smaller portfolio managers often face difficulties when it comes to growing organically. We thus observe a positive trend in the openness of smaller PMs to engaging in strategic alliances discussions. The key drivers of deal activity have various underlying factors. Firstly, the founders are reaching retirement age and are looking for succession planning solutions. This may take the form of an outright disposal of shares with an earn-out mechanism to ensure smooth transition to the acquirer or a management buy-out (for example with a younger employee taking over the founder's equity stake in the company). Second, smaller portfolio managers are merging with other portfolio managers of relatively similar size to gain scalability. The rationale of joining forces with other smaller portfolio managers versus joining a larger one usually revolves around preferences for cultural fit and client proximity. The main challenge in such transactions remains finding the right partner in a fragmented market.
Total	**1,578 PMs**	**CHF 400bn**	

Section 2

Expert interviews and perspectives

Interview with Oliver Maas

Swiss Association of Wealth Managers (VSV|ASG|SAM)



Oliver Maas, Head Global Activities German-speaking region, Swiss Association of Wealth Managers (VSV I ASG I SAM)

Oliver Maas represents the Swiss Association of Wealth Managers for all service pillars provided in the German-speaking parts of Switzerland. He is part of SAM's executive management. He is a seasoned professional with a legal background and over 20 years of financial industry experience in different functions at banks and as an independent consultant to financial intermediaries.

1. As a representative of the leading association dedicated to the asset and wealth management industry, can you please elaborate on your key mission statement and role, as well as your strategic ambitions in terms of representing the interests of your members?

The Swiss Association of Wealth Managers, in existence since 1986 and with more than 2,600 members, is the professional and industry association for asset and wealth managers with a presence in Switzerland.

As an industry stakeholder, the association contributes to the recognition of the wealth management industry and implementation of investor protection through its involvement in self-regulation and financial market laws. At the same time, as an association for (and of) wealth management professionals, it focuses on supporting its members in their daily business with various services across the four pillars of legal services, training, solutions and advocacy, thus ensuring their ongoing success.

2. After the end of the transitional period at the end of December 2022, how has this benefited the industry if you compare the pre- versus post-licensing world?

In the long term the new regulations will stimulate the financial sector's wealth management services, providing a solid framework for further developing existing business and even creating new opportunities.

The Financial Services Act (FinSA) and Financial Institutions Act (FinIA) legislation increases investors' protection and legal certainty, creating a level playing field for providers of comparable financial services. In addition, the legislation will earn the asset and wealth management industry greater recognition – in and outside Switzerland.

Following the licensing process, wealth managers reviewed their business models and strategies, with a potentially positive impact on succession solutions for the wealth managers themselves and their customer bases. By successfully overcoming new regulatory hurdles they have also given their selected business model a certain degree of protection.

> "In the long term the new regulations will stimulate the financial sector's wealth management services, even creating new opportunities."

3. The wealth management industry is a key driving force in the Swiss financial services industry, with our AuM for the industry estimated at approximately CHF 400bn. How do you see the industry growing in the future in terms of size? What will be the key drivers of this growth (e.g. sustained attractiveness of Switzerland as a strong wealth management brand internationally, etc.)?

I expect the share of the industry represented by SAM to remain stable in terms of the AuM of Switzerland's total wealth management market, in line with a forecast annual growth rate of 1.33% for the whole Swiss wealth management industry.[8]

In addition to Switzerland's strengths in terms of financial and political stability, infrastructure quality and a highly educated workforce, additional factors must be considered. Future growth drivers will include the ability to generate positive portfolio performance in a challenging market, successful wealth transfer across generations, the ability to manage changing customer expectations, adapting to new technologies and the capacity to scale against increased costs.

In my view, over the years our industry has shown remarkable resilience in adapting to changing market conditions and the evolving demands of customers and regulators. This makes me very optimistic for the future growth of the wealth management industry, even beyond the forecast I mentioned before.

4. In August 2023, FINMA published a median AuM of CHF 61m[1], and you told the members of SAM that your own figure for this is around CHF 100m. Do you think there is a minimum AuM threshold for wealth managers to remain competitive given the FINMA regulatory requirements and increasing associated costs? What are your expectations in terms of how the regulatory environment will evolve?

As we see it, to date FINMA has essentially authorised smaller wealth managers first. Authorisation for larger structures is in many cases still to come which should increase the median of CHF 61m to bring it closer to CHF 100m. AuM, profitability and the inherent risk of the business model are the main indicators of a business's sustainability, with higher risks costing more to monitor. The average increase in costs resulting from enhanced surveillance by FINMA, SOs and auditors can lead to a significant increase in percentage terms, but remains manageable in absolute terms, even for wealth managers below the median AuM of CHF 100m.

Given the regulator's oft-cited risk-based approach, I expect the focus of the regulatory environment to shift towards risk management (e.g. business model risk, governance, independence, knowledge and experience, etc.). In addition, an important topic will be the monitoring/management of legal risks and the risks associated with the investments performed.

5. What do you think are the key success factors for the wealth manager business model of the future in terms of service offering and organisational set-up? Where do you see the industry evolving in terms of opportunities (for example new market entrants such as robo-advisors, financial technology companies (fintechs) etc.?

In addition to the success factors for the industry as a whole I mentioned before, the key drivers of success include a clear business model that differentiates the manner and the selection of services provided to customers, compliance with regulatory requirements, and efficiency in both operational and compliance processes. Embracing new technology seems to me to be a great opportunity to enable such success factors.

6. How do you see the competitive forces and ecosystem between asset and portfolio managers and the private banking industry developing?

For years, there has been profitable and mutually respectful coexistence between banks and asset and portfolio managers. Despite competition around customer services, there are countless areas (research, products, loans, etc.) for cooperation geared to providing the best possible service to customers, in addition to the custody business. In the coming years and with the implementation of various initiatives such as Open Finance, this cooperation will gain further importance. With the support of the fintech industry, deeply rooted in Switzerland, the interaction between clients, banks and advisors will become more intensive and the roles increasingly accentuated. The key is to avoid duplication and increase standardisation.

7. What are the current top three key challenges for the industry?

Whether they are the top three I am not sure, but they are certainly three key challenges for the industry:

- achieving positive investment performance in a very demanding market environment;
- automating and standardising processes based on common industry standards;
- reasonably implementing technology, including artificial intelligence (AI) and blockchain, to increase both the quality and the efficiency of services.

[8] Statista. (2023). Wealth Management – Switzerland. Retrieved from https://www.statista.com

Interview with Mark Dangel

Dangel Asset Management

Mark Dangel, Founder, Dangel Asset Management

Mark Dangel created Dangel Asset Management in 2005 after having focused on private client activities at a small private bank in Zurich and then at Dangel Lang & Partner in 2002. Back in 1998, through the acquisition of Yamaichi Bank (Switzerland), he co-founded A&A Actienbank, a Swiss merchant bank. In different senior management positions he restructured the bank to specialise in private client business and the funding responsibilities of asset management and real estate investment companies.

His roles prior to that included CFO in his family's construction business and in the hedge fund industry as partner of the independent asset manager Dr. G. Landert in 1992. He started his career as a salesman at JP Morgan in Zurich and New York, and was later a portfolio manager at the commodity company Marc Rich. Mark Dangel graduated in finance and accounting from the University of St Gallen in 1985.

1. Can you please say a few words on the key milestone of your entrepreneurial journey from leaving the private banking industry to founding your own company as a portfolio manager? What were the key drivers of your choice to go independent?

My journey started when I had the privilege to study the private banking scene from 1999 until 2002 by participating in a project called Private Bank Switzerland (PBS), which was a start-up private bank funded by Swiss entrepreneurs (later on sold to Clariden Bank). Having been involved in this project I gained valuable experience and learned that the key to building up a successful private bank is to earn the trust of the client. This is achieved by building the company's and your own reputation and by having a solid track record with existing clients, as well as having the expertise and an understanding of the financial industry.

While helping build up PBS I was confronted with the bureaucracy of such an institution. This clashes with the clients' interest in achieving a high performance. At the time I therefore found a small wealth management company to be more suited to satisfying client needs. Now, of course, with the new legislation, a lot of these advantages have vanished.

Regarding independence: part of the business model of that new independent bank was to integrate existing wealth managers and make them shareholders of the bank instead. This proved to be very difficult because the wealth managers had become independent exactly because of these organisational ties in bigger institutions.

2. What recommendations would you have for someone considering becoming a portfolio manager?

The new legislation (FinSA and FinIA) offers new opportunities to young people and existing teams in the industry. Of course, besides a good financial education, a good network is of utmost importance, as is developing a structured and focused business plan and an acquisition plan to gain new clients. Young people new to the scene have fewer barriers to quickly adopting and adapting to the new regulatory framework than older people in our industry (including myself). They should use this advantage to find gaps in the market. Speaking of gaps in the market, setting yourself apart from the existing competition with a unique selling proposition (USP) is also very relevant.

> Smaller companies will continue to attract clients who like to be serviced by someone they know, allowing an individual, tailor-made and personal relationship and investment strategy"

3. Dangel Asset Management obtained the FINMA licence for portfolio managers back in July 2022, which is early considering that currently 34% are still in progress. Were there any key challenges in the process? How did you resolve them?

Our company was small enough to onboard the licensing process with its own staff. We were quite early in the process and our challenge was to work out the right size for an internal regulatory framework (directives and internal controls) to fit our needs, hinder us as little as possible but fully comply with regulator expectations. We were able to exchange our ideas and the documentary framework with other portfolio managers in the neighbourhood, which meant our application was already of quite a high standard when we handed it in.

4. What benefits has obtaining the licence brought DAM (e.g. increased credibility in the market, how it was received by your clients, relationship to your custodians, etc.)?

The benefits so far have been limited. Clients understood that the documents (portfolio management mandates, etc.) had to be renewed and brought up to the new standard. But clients in general take it for granted that we have this licence, and are used to more complicated procedures when opening an account at a bank, for example.

However, we hope to achieve more visibility among prospective clients and other wealth managers in the next one or two years once the majority of the remaining portfolio managers have obtained the licence. We hear that some IAMs don't meet the standards or simply don't want to undergo the FINMA licensing process, and we expect some of their clients and relationship managers to find a new home at our company.

5. From a business model perspective, as a "one-man" show how do you tackle and adapt to the anticipated increasing regulatory costs going forward? In relative percentage terms, can you say how much your regulatory costs have increased or how much you expect them to increase?

The only way to tackle increased regulatory costs is by growing assets. Direct (audit, membership fees, etc.) and indirect costs (maintaining internal controls, salaries, etc.) amount to about 15% of total costs, up from 5%.

6. What are your key strategic focus and growth ambitions in the coming years to achieve further AuM scalability?

The change in investment approach prompted by higher interest rates, which limits investing in buy and hold equities approach expecting solid returns, is leading managers to scout for alternative value creators, for example in the derivative markets, fixed income or other theme-based investment strategies. We are also observing developments in the AI space to give us competitive advantages. From a geographical investment point of view, we continue to focus on the fast-growing middle-class consumption economies in Southeast Asia, including the Indian subcontinent.

7. Overall, going forward what key opportunities do you see for smaller PMs to remain successful under the new supervisory regime?

Smaller companies will continue to attract clients who like to be serviced by someone they know — someone who can be reached almost around the clock and who's not dependent on office opening hours, allowing an individual, tailor-made and personal relationship and investment strategy. Compared with the markets of the past where money was almost unlimitedly available and cheap, in the higher interest rate/slow growth environment the value approach will be used more often.

Regarding the supervisory regime, we expect that in the coming years, companies will have adapted. The existing norm will return to the industry and first movers' advantages will begin to vanish. After a period where everyone puts in a lot of effort to comply with the standard, completion will give everyone the chance to refocus on existing routines, allowing more time to be spent with the client and refocus on the markets.

DAM

Interview with Mike-David Burkhard

MIC Invest AG

Mike-Davide Burkhard, Board Member and Managing Director, MIC Invest AG

Mike-David Burkhard is an entrepreneurial wealth manager with over a decade of expertise in the football and entertainment industry. He is a partner at BWB International, an entertainment and sports advisory firm. He also serves on the boards of three tech start-ups (anyKrowd, Dat Digital and TRYBE Sports) and holds a co-ownership stake in the Prague restaurant, art gallery and social club VENUE. In addition, he is a member of the board of trustees of the Credis Stiftung, actively contributing to the support of students pursuing a career in classical music.

1. Can you briefly please present the history, key milestones and profile of MIC Invest AG?

MIC Invest is a boutique wealth management firm established by my father and his partner back in 2006. They founded the company on the positive values of a well-functioning family paired with financial expertise with a focus on the Swiss market.

MIC Invest has a “family office” approach, advising private and institutional clients. Major milestones were expanding in European markets and the Middle East but staying true to our Swiss-focused strategy and values. Another milestone is that MIC Invest has stayed the course for 17-plus years. Seeing that client relationships are more business partner relationships founded in entrepreneurship inspires me to continue the legacy.

2. We understand that you have relatively recently (December 2021) taken over the role of board member and managing director in the context of a generational change in the company. Can you please elaborate on the key success factors, and any challenges, in ensuring a smooth transition?

Yes, correct – I am continuing the relatively long legacy of the business created by my father and his partners. Working with one’s parent is a very special experience. While there are always generational differences, as we view the world differently, the values passed on from my parents to my brother and myself remain the same, no matter the age difference.

Success lies in a common vision broken down into common goals and executed with discipline. The best idea always needs to win, no matter the title or hierarchy. If you want to find the best idea, it is normal that opinions differ and discussions take longer, but ultimately we do our work because we believe in continuing strategies that our clients have trusted for 17 years.

In a transition you need to understand why things worked well in the past and what could be improved in the future. We have identified the building blocks that need to remain and those we need to build on for a smooth continuation.

In my career in the sports/football industry, I have worked with some of the best athletes on the planet, and our aspiration at MIC Invest is also to work with the “best”: those who function as a team, exactly understanding their role and complementing each other.

Identifying the talent in banking to enable us to make a smooth transition is a challenge. Especially because there are more “individual” players than team players. More motivated by salary rather than service to the client.

We at MIC Invest believe that having the right values, vision and execution will always result in a positive monetary reward. So, we identify talent based on values, vision and know-how. The monetary variable is very important but we keep the human element at our core. The best-paid players don’t guarantee that you will win the Champions League, but the right mix of well-paid players with aligned values, common vision and execution as a team will.

3. Further, with regard to the generational change in your legacy client book, what has been your strategy to anticipate this matter and remain appealing to the next generation? Do you see the necessity to innovate in terms of your product offering? Would you have any specific examples to share?

Our approach has always been to learn about the various industries we are invested in, geopolitical developments and macro trends, etc. Sitting on the boards of three start-ups enables me to keep up with where the tech industry is going.

> “Increasing regulatory costs can be seen as an opportunity where “financial intelligence hubs” and partnerships between wealth managers can be formed.”

Generational changes in the client base will require product innovation, but in the right balance. Our actively managed Swiss strategies have been a success over the past 17 years and will continue to be. To innovate, we need to understand the new generations and their needs.

The core needs remain. No one wants to lose money. Everyone wants to keep their money safe. Steady growth over time is very welcome. Additionally, newer generations are more conscious of time and the transition to more sustainable economies, and are interested in more exotic themes and industries, for example sports and entertainment, an ever-growing industry not correlating with traditional markets. We have worked on cases such as Palermo FC and got involved in start-ups in that field. Product innovation requires a well-balanced mix between understanding the sense and feasibility of clients' needs and our expertise and, if needed, external expertise.

We have our vision and our strategies, and based on that we attract clients who see the world moving in a similar direction. But if a client need is sensible and an opportunity, we're delighted to join forces and move forward together.

4. How did you experience the licensing process? Going forward, how do you envisage tackling the challenges of the expected increase in regulatory costs?

MIC Invest has had a smooth licensing process so far.

As for the costs, who can judge whether there is too much regulation and bureaucracy before one Swiss franc is earned? Maybe you have the answer.

There is no profit-oriented company on this planet that is delighted about increasing regulatory costs, but it is the reality we face, so we see this also as an opportunity where “financial intelligence hubs” and partnerships between wealth managers can be formed. We are looking into industry non-standard partnerships with companies from different industries. The key is to provide industry-specific expertise to increase revenues and cover increasing costs. This is a challenge the whole industry faces. Overall, we see it as a “partnership model” innovation opportunity.

5. Do you believe the portfolio management industry will in the future see a “rejuvenating” wave with new companies being founded by younger entrepreneurs or joining portfolio managers (versus a career in private banking)? How competitive do you perceive the industry in finding and recruiting key talent?

Having worked in very hierarchical structures, I would always choose the institution where the idea wins regardless of title and hierarchy – this is where innovation lies. My understanding is that many traditional banking institutions are still relatively hierarchical structures. I believe this answers your question. (laughs)

Finding new talent is always possible. In an industry where money is the main medium of everything, I would say that the majority of talent is driven by that medium, with a minority driven by values and vision. At MIC Invest we target the second category of talent. The search takes slightly longer, but when we do find a fitting talent it is very rewarding for both parties.

6. Overall, relatively smaller PMs remain the driving force and the vast majority of the players in the industry. Where do you see the opportunities, challenges and key success factors going forward?

Opportunities will remain the same as always – a lot of people have trust issues with banks. The recent events around Credit Suisse have left many people confused and disappointed, so a lot of clients still prefer to work with a portfolio manager where they know that the work is being done in the interest of the client and not of the bank.

In smaller structures the relationships within the team and thus with clients are much more profound, and this will remain going forward.

The challenges are, of course, the increasing cost of compliance-related matters that smaller structures need to keep up with. It is clear that larger banks are trying to get business back from portfolio managers.

But if you operate with the right set of values, have a clear vision and work with clients as business partners, you will create win-wins and achieve slow and steady growth.

7. What are your key strategic priorities mid- /long-term for growth?

Generally, our strategic goals for growth are to create an investment intelligence boutique with a Swiss focus for “high-performing individuals”. In my time in the football and entertainment industry I have observed that some of the most renowned athletes lack sincere advice and support when it comes to their finances. We are here to support them with our family office approach.

We are also continuing to build on our pillars in Switzerland, working with entrepreneurs and pension funds and focusing on the growth of our Swiss partner fund. I continue to explore partnerships with companies and individuals who are like-minded and share a common vision. So, the next 5-10 years will be exciting.

Interview with Thierry Grin and Fabien Duteil

Baseline Wealth Management SA

Thierry Grin, Chairman and CEO, Baseline Wealth Management SA

Thierry previously worked as a senior client advisor at UBS Wealth Management in Switzerland. He focused on key clients of the Western Europe division and was also a director of the UBS Sports and Entertainment Group, providing wealth management services to ultra-high-net-worth individuals (UHNWIs), athletes and entertainers. He was also responsible for portfolio management, as well as other services including tax and financial planning. Prior to UBS, he worked at the law firm Python in Geneva.

Thierry holds a law degree from the University of Lausanne. A former professional tennis player and member of the Swiss Davis Cup team, he is the founder and president of the ProRea Médecine d'Urgence foundation, as well as president of the International Lawn Tennis Club of Switzerland.

> "Crafting client's adequate wealth management is a purpose-centric journey, where pleasure in service becomes the masterpiece of every interaction"

1. Looking back at Baseline Wealth Management's decade-plus of history (founded in 2010), what have been your key milestones and achievements on your entrepreneurial journey? Have there been any specific challenges along the way? How have you addressed them?

Three key milestones have been the founding of Baseline Wealth Management in 2010, the granting of the US Securities and Exchange Commission (SEC) registration as a US Investment Adviser in January 2011, and the authorisation from FINMA to operate as a portfolio manager and manager of collective assets on behalf of pension funds below the thresholds set out in Art. 24 para. 2 FinIA, in April 2022 and January 2023 respectively. The three key achievements on our entrepreneurial journey have been our client growth, our service offerings, demonstrating our ability to adapt to changing client needs, and the expansion of our team, its quality and expertise.

In the course of more than 20 years and four major crises, we have demonstrated our commitment to compliance and ethics by addressing evolving financial regulations and compliance requirements. Navigating economic crises such as 2008 or the COVID-19 pandemic and continuing to provide value to clients is an achievement worth noting.

2. Can you please describe your DNA, expertise and market positioning? Going forward, what are your key strategic growth priorities in the mid/long term?

Our organisation's DNA is rooted in setting the standard for the future of wealth management. In a world full of conflicts, we deliver a refreshing alternative for those who want a true partner to guide them. We are committed to integrity, performance, responsibility and appreciation.

Collaborating with strategic partners in the industry can open up new opportunities and synergies. We are actively seeking partnerships aligned with our culture and values that complement our strengths and expand our reach. Embracing technology and innovation is also crucial, complemented by talent development: we are investing in ongoing training and professional development to ensure our team remains at the cutting edge of industry trends and best practices.

3. Baseline holds a portfolio manager licence in Switzerland and is registered as an investment adviser with the SEC. Can you please elaborate on the rationale of benefiting from both licences in light of your business model and in particular of serving US clients out of Switzerland?

Holding a portfolio manager licence in Switzerland and being registered as an investment adviser with the SEC provides Baseline Wealth Management with several benefits and advantages, especially when serving US clients out of Switzerland. Being a portfolio manager licensed in Switzerland allows Baseline to operate in the Swiss financial market, which is known for its stability, expertise in wealth management and strong privacy laws.

It's important to note that while holding both licences offers several advantages, it also comes with the responsibility of complying with the respective regulatory requirements. Baseline has a strong understanding of the specific needs and preferences of its US clients to provide them with the best wealth management services tailored to their individual circumstances and goals.

4. With the anticipated increasing regulatory costs for portfolio managers, what do you think will be the impact on industry participants? Do you see a minimum critical size to remain competitive and profitable?

Rising regulatory costs can strain the financial resources of PMs, particularly smaller firms. Complying with evolving and often complex regulations requires investments in technology, staff training, and legal and compliance expertise. Also, as regulatory standards rise, clients may increasingly seek out PMs that demonstrate strong compliance records and adherence to industry best practices. We invest in compliance and regulatory excellence to gain a competitive edge and attract more clients, supported by investment in technology solutions that streamline compliance processes, data management and reporting to reduce costs.

While larger PMs may have advantages in terms of resources and scalability, smaller firms can remain competitive through specialisation and a focus on client relationships and service quality. For us, adaptability and a commitment to compliance are key in this evolving regulatory landscape.

5. Baseline works with a wide range of clients worldwide including professional athletes, private family foundations, inheritors and entrepreneurs. How are you operationally set up to manage global complexity? In what key areas are you investing to remain efficient and scalable (e.g. digitalisation of your processes, human resources/capabilities)?

To effectively manage the global complexity of serving a diverse client base including professional athletes, private family foundations, inheritors and entrepreneurs, Baseline Wealth Management is digitalising processes at the client onboarding level. Our portfolio management system is designed to manage and monitor investment portfolios with analysis in real time, supplemented by a digital risk management and compliance process to ensure regulatory adherence across various jurisdictions.

We foster global talent with diverse expertise and cultural understanding to cater to the needs of clients from different regions and backgrounds.

6. How do you see the competitive landscape and underlying drivers evolving within the portfolio management industry? What would be the key success factors? How about the overall differentiators of portfolio managers versus the private banking offering and pricing?

Private banks promote their proprietary products, while portfolio managers are independent and able to offer a wider range of investment options. We are free to offer more personalised services tailored to individual client needs, whereas private banks may follow a standardised approach.

Key success factors include client-centric approaches, compliance, technology integration, talent and diversification. We must be specialised in niche markets, asset classes or investment strategies.

Fabien Duteil, COO,
Baseline Wealth Management SA

Fabien has over 20 years of experience in global financial markets, investment banking and asset management. He has worked for a variety of institutions, banks and asset management companies, including as a member of the alternative investment committee of the fifth-largest Swiss bank. Fabien served for five years – until May 2018 – as the chief compliance officer of a fund services company with direct obligations during his tenure to FINMA. Since June 2018, Fabien has been a member of the board of MIND Développement Cybersécurité SA, Switzerland. Fabien holds an executive MBA from IMD, a Master of Science in business and administration, a master's in financial market risk and finance, and an ACI diploma. He is a Chartered Alternative Investment Analyst and a CAIA Charter Member.

7. What in your view are the key opportunities and challenges for the portfolio management industry going forward?

The challenges include increasing regulatory requirements and international compliance standards. While technology offers opportunities, staying updated and secure in a rapidly evolving digital environment can be tricky and the increased reliance on digital platforms, with the cybersecurity threats they entail, can't be ignored. The accumulation of wealth worldwide offers opportunities to serve high-net-worth individuals (HNWIs), families and institutional clients. We focus on acting in the best interests of clients aligned with the growing trend towards fiduciary standards and transparency in financial services.

In a nutshell, there are numerous opportunities and challenges that need to be addressed for sustainable success in this rapidly evolving landscape, and we are working to make sure Baseline Wealth Management has the necessary creativity to find appropriate solutions.

BASELINE WEALTH MANAGEMENT

Interview with Stéphane Salamin and Nicolas Gut

Elite Asset Management SA

Stéphane Salamin, CEO and Founding Partner, Elite Asset Management SA

Stéphane Salamin graduated from HEC with a master's degree in 2005 and has spent his entire career in finance. After two roles as an auditor and recruiter of financial specialists, in 2008 he started in loans and asset management at Banque Cantonale du Valais. At the beginning of 2015, he joined the Julius Baer Group to develop and manage private clients. In 2019, Stéphane founded Pure Wealth Management SA. He brings expertise in private banking and entrepreneurial vision.

> "The growing professionalisation of the asset management business in Switzerland requires compromises and adjustments, but will bring added value in the future and serve the interests of our clients."

1. Together you founded Elite Asset Management (formerly Pure Wealth Management) by combining your respective expertise in wealth management and entrepreneurship. Tell us about this journey and Elite Asset Management's vocation.

We met in 2016 and quickly established a relationship of trust. Pooling our respective experiences unleashed synergy, leading us to create an asset management company focusing on private assets, pensions and real estate in 2019.

We wanted to put the customer at the heart of our business model, with a company offering a 360° service with tailor-made solutions based on transparent and competitive pricing.

As soon as we created our company we established strategic partnerships with Elite Fondations and Finaversum SA (specialists in financial planning), which enabled us to consolidate our offering and above all gave us the legitimacy and visibility we needed to launch our activities. The invaluable support of these partners has proved to be a key factor in our development, steering our company significantly towards institutional asset management.

2. What impact did the end of the transitional period for portfolio managers on 31 December 2022 have on your business as an asset manager? Have you encountered any major challenges? How have you overcome them?

There were both challenges and opportunities. At the end of 2021, we had to choose between two options: obtaining authorisation as a portfolio manager or as a manager of collective assets. We chose collective authorisation to support the strong growth we anticipated in the management of occupational pension assets. We laid solid organisational foundations to comply with the new requirements. The challenges included preparing and following up on our FINMA application while ensuring the operational management and commercial development of our young company.

After a year of preparation, we obtained approval with the support of our external legal advisor. Even today, implementing and monitoring the directives remains a challenge, but for our company it's more a guarantee of good governance than a constraint.

3. Have these new regulations created opportunities to change your business model and/or the way you work with your custodian banks? Has it led to a significant increase in the cost of your business in general?

We have revised our business model, mainly to strengthen our core wealth management business. The new regulations have reinforced our commitment to standardising wealth management, clarifying our departments and their respective missions.

Implementing our new structure, applying and monitoring directives, and regular audits have entailed more time and expenses, but we have managed to cover the costs and preserve our pricing policy thanks to a significant increase in assets under management.

The growing professionalisation of the asset and wealth management business in Switzerland requires compromises and adjustments but will bring added value in the future and serve the interests of our clients.

4. On the client side, what are the main trends you are observing in terms of requests/demands relating to the product offering, service and pricing? To what extent are you able to respond effectively to your customers' requirements and preferences?

Our customers know that our business is evolving in terms of regulation and transparency. They can now use digital tools to compare offerings, services and rates, complementing our efforts to respond proactively to new requirements.

We have always chosen to offer discretionary mandates with institutional management, as well as a variety of investment strategies. We provide total transparency on costs, including those of the products we use. We continue to fulfil our role as advisers by listening carefully to our customers' needs and adapting our business model.

Nicolas Gut, COO and Founding Partner, Elite Asset Management SA

Nicolas Gut obtained an MBA in 1997 and began his career with innovative companies in the new technologies sector. In 2003, he set up his first IT services company in Geneva, then in 2007 founded an industrial home automation company with a staff of almost 50. After selling the company in 2015, he moved into the real estate sector in Valais. In 2019, Nicolas Gut founded Pure Wealth Management SA. He brings a wealth of experience in business management.

5. You are asset managers specialising in occupational pensions and institutional asset management, and have grown organically up to now. What are your growth targets? What would you aim to achieve by considering a partnership or acquisition with another company? (For example, reducing costs, sharing products or service offerings, expanding market share, etc.).

We want to reach CHF 1bn under management within five years. We'll do this primarily through organic growth, with a focus on pension asset management, while expanding our services, notably with business-to-business offerings for third-party asset and portfolio managers. We're also considering partnerships or acquisitions as opportunities arise.

The growth we are aiming for, organic or external, will have to enable us to keep costs under control and rationalise our services. We want the human aspect, part and parcel of Elite Asset Management's history, to remain at the heart of our development in the future.

Interview with Jan Hänggi
JTS Investments AG

Jan Hänggi, Partner and Co-CEO, JTS Investments AG

Jan Hänggi co-leads the portfolio manager JTS Investments AG and is a member of the board of directors. He has around 25 years of experience in the financial sector, mainly with banks, and has a background in economics. In 2017, he became independent and co-founded the portfolio manager JTS.

> "It could become a trend for smaller PMs to enter into partnerships or mergers to reduce costs and workloads while continuing to operate, so to speak, independently."

1. Can you please briefly present your history, in particular your entrepreneurial journey from leaving a career in private banking to choosing the path of becoming independent? What were the key milestones and what is the expertise/unique selling proposition of JTS Investments AG you have developed over time?

Together with my partners, we decided that a change was needed and that we didn't see ourselves working for another bank again. In 2017, we took the risk and started on the adventure of independence as a self-regulatory organisation (SRO) with JTS. The milestones for us were being operationally active, the certainty that it was the right decision, passing the audits and now receiving the new licence, as well as the new partnership. We have evolved from relationship managers to entrepreneurs and now understand what it takes to run a company with all the challenges.

2. FINMA granted you the licence in May 2022, which is relatively early considering that 34% of portfolio managers have currently not yet obtained theirs. Can you please walk us through your experience of the process and how you resolved any challenges in your interaction with the regulator?

We recognised early on that there was no way around the licence, and therefore wanted to have clarity early on that we could continue to exist. We had a very competent partner in SwissComply, who guided us through the entire process. As we were one of the "early birds", we didn't have any major delays with the SO or FINMA. Both responded quickly, and we were also able to answer all questions quickly, which meant that in the end we only needed two months for the entire process with the SO and FINMA. Looking back, we can say that it was the right decision to start the process early.

3. We understand you focus primarily on clients from Latin America (LATAM). Can you please elaborate on your business model and set-up in serving such clients out of Switzerland? What are the key success factors in covering this region?

Well, we didn't build the business from scratch. We all have over 20 years of experience in managing clients. Thanks to the good relationships we have built up over all these years, we have been able to build our current client base. Switzerland continues to enjoy a good reputation in this region. In my view, the most important success factors in this region are the same as in all other foreign regions. Above all, you have to speak the clients' language, understand their culture and be on the local ground, and then you have to have the classic Swiss attributes such as being trustworthy, discreet, precise and always available.

4. You have recently entered into partnership with another portfolio manager. Can you please elaborate on the rationale and basis of this partnership, value creation in terms of synergies and key benefits? In general, do you see partnerships as being a key trend driving the industry going forward? In what form?

With the licensing we decided to professionalise our setup in areas such as portfolio management systems, customer relationship management and external risk and compliance, and are still in the process of expanding the platform. The new licence and the new setup increase the costs and our goal was to grow in order to spread the costs. The new partner explicitly decided against licensing and was also looking for a partner to reduce costs and administrative effort. With the partnership, we benefit from two new locations, new custodians, more assets and therefore more weight in negotiations and, of course, the distribution of costs and effort. I can imagine that it could become a trend for smaller PMs to enter into partnerships or mergers to reduce costs and workloads while continuing to operate, so to speak, independently. The biggest challenge we see in this process is the interpersonal aspect.

5. How do you see the dynamics in the future of the industry in terms of opportunities arising and challenges for portfolio managers?

The industry is currently undergoing a transformation. Around 1,000 PMs have currently received their licence and many have not yet undergone their first audit. Many questions and processes are still unresolved and still need to be established. However, I personally think that all these challenges can be overcome if you are prepared to accept them. At the same time, I think that if you have positioned yourself well, this also offers opportunities to be interesting for new employees and for partnerships/ mergers with existing PMs. In my view, “size matters” is a keyword for the industry in the future. Smaller PMs with AuM of less than 100m will find it more difficult than before and the constant new regulations will increase the administrative burden.

6. What are your key strategic priorities mid-/long-term for growth, both organic and inorganic?

The most important priority, i.e. the basic requirement, is to have built up a good platform to be able to master the regulatory requirements. In the medium term, we want to continue to invest in our infrastructure to minimise risks and be attractive to externals. In the longer term, we are still interested in partnerships and mergers, as we believe that we can offer a very flexible and attractive setup here.

JTS investments

Interview with Patrick Héritier and Patrick Humbert-Verri

Pleion SA

Patrick Héritier, Managing Partner, Pleion SA

Patrick began his banking career in 1997 with SBC/UBS, where he held various management positions before becoming Head of Private Banking in the Chablais region. In 2007, he joined Julius Baer as an executive director, where he opened and developed the Verbier branch. In 2013, he became a member of Julius Baer's Swiss executive committee and was entrusted with the leadership and management of the Bern branch, followed by the Central and Eastern Switzerland region. Patrick also sits on the board of directors of Banque Cantonale du Valais.

In addition to his training as an airline and fighter pilot, Patrick holds an executive MBA (EMBA) from the Universities of Rochester and Bern and has completed the advanced management programme at INSEAD in Singapore. He holds a CAS as a member of the board of the University of Bern.

1. Could you describe the DNA and the evolution of the key stages of the Probus Pleion group (in particular, the merger in August 2021 between Probus SA and Pleion SA that formed the group). What have been the key factors in your success and what synergies have been achieved as a result of the integration?

Our DNA is reflected in the name of our Group: "Probus" stands for integrity and ethics, while "Pleion" indicates the ambition to get better and improve towards excellence. Our success depends not only on this merger, but also on a common culture, shared values and compatible visions. In addition, it is essential to be passionate and enjoy working together.

For us, complementarity is generally more important than synergies, which currently account for around 5-7% of our turnover. In the case of Probus, we have opted for a strategy based on accelerating growth with our existing teams to achieve economies of scale. This has also generated intangible synergies, as we have significantly improved processes and professionalised the organisation of our departments.

2. The group operates in Switzerland (Geneva, Bern, Nyon, Sion, Verbier and Zurich) but also has an international presence in Luxembourg, the United Arab Emirates (Dubai) and Mauritius. Could you please elaborate on your strategic pillars and priorities for growth in Switzerland and internationally?

Our strategic priorities are as follows:

- Our geographic reach and presence reflect a desire for regional proximity with a global customer base. In Switzerland, we are focused on organic and inorganic growth.
- As for our international business, we want to be present in Europe with our office in Luxembourg and also in the Middle East through our office in Dubai. This international reach enhances our local and international investment. This is complemented by our comprehensive offering to our clients including asset consolidation and family office services. Mauritius is a hub focusing on the IT development of our proprietary systems and related services for UHNWI clients.
- With a network of over 40 custodian banks in 10 countries, we are ideally positioned to meet the needs of our clients.

We are qualified professionals striving for excellence who offer everything a client can expect from a wealth manager and a multi-family office in a relationship based on trust and integrity.

3. How have you tackled the challenges of implementing FinSA/FinIA?

We anticipated the challenges by obtaining the CISA licence in 2019. With the arrival of Patrick Héritier as CEO in 2017, the idea was to strengthen the management and the organisation of the company.

With the entire necessary framework in place to ensure sustainable growth, the entry into force of FinSA/FinIA required only minor adjustments, as we were already organised and structured appropriately.

4. With the anticipated increase in regulatory costs, what do you think are the main organisational areas/ processes that need to be mastered to remain competitive and efficient under the new regulations?

I like to talk of the "scissor effect" in wealth management: revenues are falling at the same time investment requirements and current expenses are rising.

Transparency has increased competition, which puts pressure on unit revenues. This is coupled with the FinSA regulation, which is driving up our costs. In addition, we observe an increase in the investment needed for the digitalisation of processes, not to mention the current inflationary environment.

Patrick Humbert-Verri, Chief Risk Officer, Pleion SA

Patrick Humbert-Verri holds an executive master's in business administration and began his banking career in 1994 with Banque Cantonale Vaudoise. After 3 years of branch training, he worked in impaired loans before moving into client advisory services in 2001. From 2006 to 2014, he was head of the Gland branch.

He joined Pleion SA in 2015, bringing his skills in project management, team management and coordinating support for asset managers. Since 2019 and Pleion SA's direct affiliation with FINMA, Patrick has been in charge of risk management.

As a consequence, we have to control our costs to remain competitive, and we are strategically focusing on efficiency gains through digitalisation, process improvements and the development of our staff, as well as teamwork.

FINMA is now extremely alert to risk management. For a company like ours, it is important to have most of the risk processes automated, digitised and standardised (taking into account the diversity and complexity of our Swiss and international client base) to control these risks. We are also committed to greater sharing of best practices between asset and wealth managers and have begun collaborating with some of our peers in specific areas.

5. In terms of your clients and their needs, what innovations are you investing in to meet and anticipate their expectations?

To meet our clients' needs in terms of asset management and digitalisation, we are integrating Finstoy SA in Lausanne through a merger by absorption (subject to approval by FINMA). This company has been using Swissquote's robo-advisor for many years. This is an innovative approach to asset management: according to his profile and risk appetite, the client allocates "risk budgets" and chooses which assets to invest in, and the tool generates management transactions on this basis. This results in individualised advice and portfolio management even for smaller clients.

We have been advising and managing pension funds for 15 years and are very familiar with our clients' needs for transparency. Our clients appreciate the fact that we can consolidate their global bankable and non-bankable assets with a personalised classification and a transparent breakdown of costs.

We have also developed solutions for private placements (private equity and private debt). Our structure and size offer our clients undeniable competitive advantages over most banking institutions.

6. How do you see the dynamic and ecosystem between asset and portfolio managers and custodian banks evolving in the future?

We see our custodian banks as true partners. In the future, we're convinced that we'll be moving towards open-banking solutions with data shared in the cloud between the different stakeholders. This approach will benefit banks, asset and portfolio managers and clients alike, and will strengthen our collaboration with these institutions.

We have been very active in improving and standardising processes with each institution, which is mutually beneficial. For example, we have joined forces with asset and portfolio managers and banks with the company Wecan comply to standardise the asset manager questionnaire on a secure platform with blockchain technology, providing a single point of contact for interactions between institutions. We are currently exploring other areas in which similar technologies could be used to benefit all stakeholders.

> "Our success depends not only on the merger between Probus and Pleion, but also on a common culture, shared values and compatible visions."

7. The anticipated consolidation of the industry has so far materialised only to a limited extent. We understand that the group aspires to position itself as a partner of choice for this consolidation. What is your outlook for the coming years?

We have a proven track record in this area, with inorganic growth moves that have enabled us to integrate or merge with other companies, including the recent acquisition of Finstoy SA, as mentioned earlier.

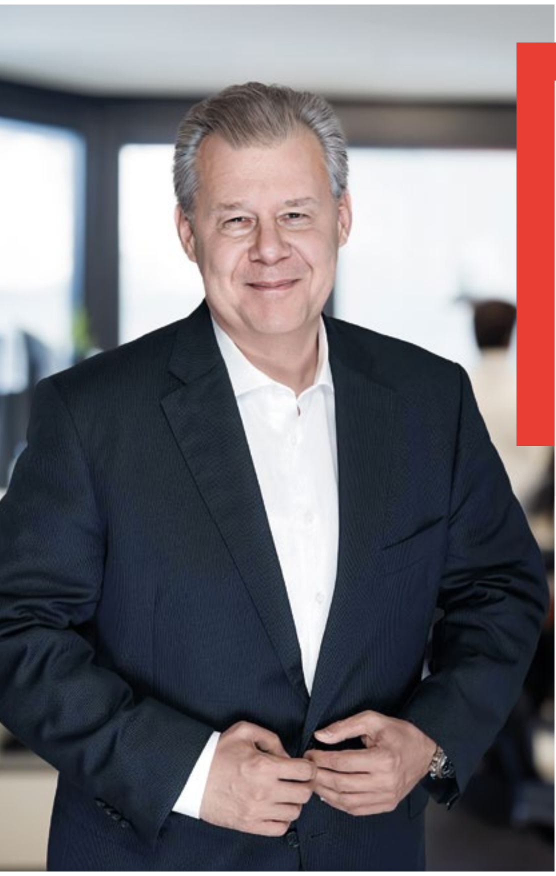
As far as the consolidation of the portfolio manager industry is concerned, we foresee two successive waves. The first one, happening now, involves companies that have started the process of obtaining their licence and are anticipating the implications in terms of organisation and the challenges that this represents. The second wave concerns small and medium-size companies, which will realise the concrete impact of FINMA's requirements once they have obtained their licence, particularly after their first regulatory audit. In my opinion, this second wave will be more significant than the one we are experiencing now.

At the same time, I think we will also see the merger of companies with over a billion in assets under management.

PROBUS PLEION

Interview with Beat Kunz

Portas Capital AG



Beat Kunz, President of the Board of Directors, Portas Capital AG

In the course of his career, Beat has worked as a director at the Geneva-based private bank Lombard Odier (marketing and sales), at UBS Investment Bank and Julius Baer (chief analyst for equities, macroeconomic research, currencies and fixed-income securities) and as an asset manager for institutional clients at Credit Suisse Asset Management. In client surveys published by Extel and the US trade journal “Institutional Investor”, Beat and his teams ranked first for four consecutive years in terms of the quality of their financial analysis.

Portas Capital AG has been managing assets for private clients, families, foundations, pension funds and companies for 15 years. In recent years the company has earned recognition from the magazine Bilanz, the agency Wealth Briefing and Elite Report/Handelsblatt for above-average returns on numerous mandates and its client service.

1. In recent years Portas Capital AG has been consistently recognised for its expertise by Bilanz, Wealth Briefing Awards and Handelsblatt. What is your recipe for success and how does Portas differ from the competition?

There is no real recipe for success. We try to combine different portfolio management approaches when deciding on investments, and we endeavour to offer individualised advice and portfolio management for each client. This includes a wide range of additional services. The fact that the costs for our clients are attractive is also an argument in our favour.

2. 2023 marks the first year of licensing for portfolio managers. How did you address the implementation of the FinSA and FinIA requirements? Were there any particular challenges in the process? How did you overcome them? How do you think the regulatory requirements will develop in the future?

We chose the route of outsourcing functions to experts. This decision has paid off. The challenge was tackling a significant expansion of the reporting we do to the supervisory authority. In risk management in particular, we expect the required analysis and reporting to increase even further.

3. In view of clients whose investment strategy requirements are becoming increasingly complex, in what areas do you see particular demand for specific solutions or product offerings to fulfil client expectations?

Every client is different. We try to fulfil our clients’ wishes by giving freedom and delegating a lot of powers and responsibilities to our relationship managers.

4. Succession planning for private clients is a challenge and an opportunity. How are you addressing the new, young generation?

We use a whole host of communications and services to attract the next or young generation. That might be an event on the topic of alternative energy or a publication on artificial intelligence. We need to adapt our competences and services in the future.

5. How do you see the development and drivers of competition in the portfolio management industry in the future? Do you think there will be consolidation?

In my opinion, we need as many providers and competitors as possible. The client should have as wide a choice of providers as possible. And these providers should all be somewhat different. However, further consolidation is inevitable, whether it is due to the digitalisation of services or another wave of regulation.

6. What are your main strategic goals over the next few years to continue to grow (e.g. organically and inorganically)?

As in the past, we want to grow internally and externally. In the last few years we have so far managed to do this in a measured way. We are confident that we will be able to continue along this path in the coming years.

7. In general, what do you see as the biggest challenges and opportunities for portfolio managers in the coming years?

In my opinion, the biggest challenge for portfolio managers will be changing or increasing regulation.

“ Further consolidation is inevitable, whether it’s due to the digitalisation of services or another wave of regulation.”

PORTAS CAPITAL

Interview with Ronny Bachenheimer and David Nordmann

Tareno AG

Ronny Bachenheimer, Managing Partner and Head Private Banking, Tareno AG

Ronny Bachenheimer has worked in the financial industry for over 35 years. After a four-year trainee programme at Julius Baer, he worked for various companies, including several years in private banking. For a total of 12 years, he served on the executive board of Banca del Gottardo and as an independent asset manager. In 2012, he joined Tareno AG as an asset manager. He has been a member of its executive board since 2014. Besides German, he speaks English and French fluently. The father of two children is a passionate jogger and mountain biker. For ten years, he was also a member of the board of a football club as well as president of a Swiss sports federation.

1. Tareno has over 20 years of history. Can you please highlight some of your key milestones and core values and the philosophy that has led to what Tareno is today?

Tareno has achieved the following key milestones:

2003: Obtained securities dealer licence (directly supervised by FINMA)

2005: Founded the subsidiary in Luxembourg

2007: Launched our Tareno Water Fund

2012: Opened our Zurich branch

2017: Took over an asset management company

2018: Authorised as manager of collective assets (directly supervised by FINMA)

2020/2023: Best Wealth Manager in Switzerland awarded by Bilanz

2023: Reached CHF 2.8bn in assets under management

2. Tareno has been an early adopter of ESG, so to speak, with the launch back in 2007 of your flagship Tareno Global Water Solutions Fund and as asset manager of the CHARISMA Fund focusing on charitable foundations. Going forward, do you think the overall demand for ESG products and de facto capabilities and expertise in this respect will be a key differentiating factor and USP for clients?

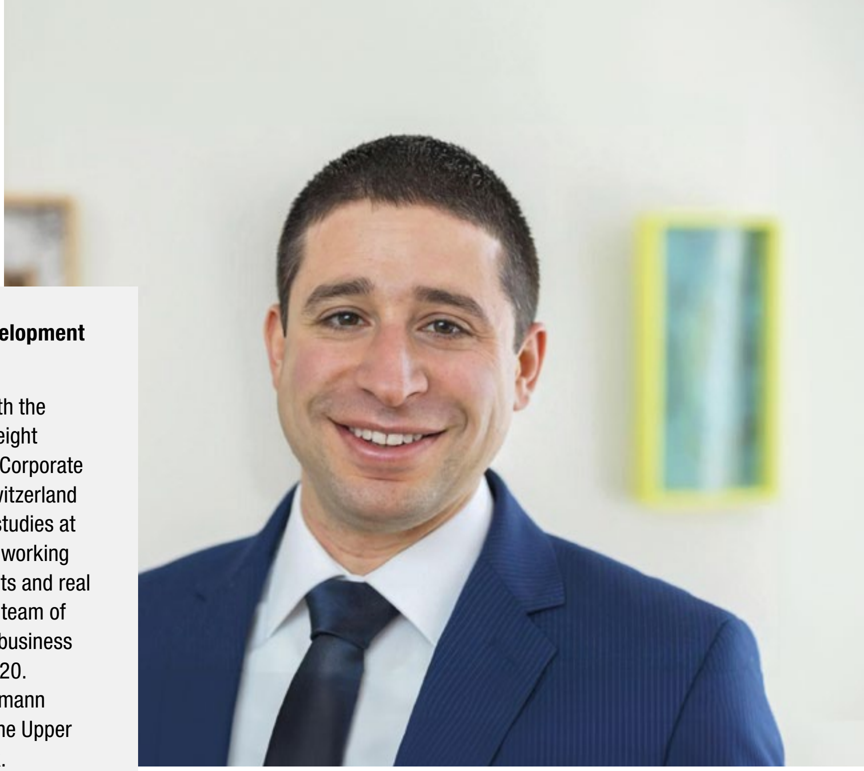
Sustainability is the basis of every asset and portfolio manager. If you don't offer it, you are at a disadvantage.

3. With the anticipated increase in regulatory costs for PMs, what do you think will be the impact on industry participants? In other words, do you see a minimum critical size to remain competitive and profitable?

We believe CHF 200-300m is the minimum critical size; operational efficiency must be increased due to higher spending (regulatory requirements, compliance costs, operational complexity and barriers to entry for new PMs).

4. Aside from regulations, what in your view are the top three challenges for the asset and portfolio management industry under the new supervisory regime?

From our point of view, we see the following key challenges: client acquisition and retention (in particular related to the next generation and cross-border regulations), addressing market volatility and risk management, and technology and cybersecurity.



David Nordmann, Managing Partner and Business Development Private Banking, Tareno AG

David Nordmann began his professional career in 2006 with the Credit Suisse AG middle school graduate programme. For eight years he worked for the big bank as a client advisor in the Corporate Banking Real Estate division and in the Private Banking Switzerland division. In addition, he completed his part-time business studies at the Zurich University of Applied Sciences HWZ. He started working as an independent asset manager for private banking clients and real estate investors in 2015. In July 2017, he finally joined the team of advisors at Tareno AG, where he has been responsible for business development as a member of the executive board since 2020. Together with his wife and their three children, David Nordmann regularly spends his holidays in the scenic landscapes of the Upper Engadine. He also enjoys CrossFit as a balance to his work.

> “The clients of today and of tomorrow need cost transparency, understanding of the investments and independent advice.”

5. Innovation is in the DNA of Tareno. Can you please provide some examples of how you stay at the forefront in terms of your investment expertise, value creation for your clients and asset allocation strategies?

In 2019, for example, we decided to build up a 1% position in a bitcoin tracker in all discretionary accounts. We invest in the continuous education of our employees to provide state-of-the art investment expertise. Further, technology adoption is paramount to remain competitive and up to speed in a rapidly evolving environment.

6. On the asset and wealth management side, what is your view of how the competitive landscape between the asset and portfolio managers and the banks will develop (e.g. recruitment of talent, etc.)?

The competitive landscape in asset and wealth management will probably continue to be dynamic, with asset and portfolio managers and banks both playing important roles. The key to success for both will be adapting to changing client needs, regulatory requirements and technological advancements.

The clients of today and of tomorrow need cost transparency, understanding of the investments and independent advice.

Asset and portfolio managers will continue to benefit from the competitive environment in the future. Private clients value personal and long-standing contact with their advisor. They can respond more to the individual needs of the client, as well as being close to the market.

7. What is Tareno’s strategic agenda mid-/long-term for further growth (e.g. organic and inorganic)?

Our key strategic priorities are the following: remain as one of the top 15 asset manager in Switzerland; grow to increase our assets under management to CHF 3bn; and hire one to two new relationship managers per annum going forward.

TARENO
INTERNATIONAL
ASSET MANAGERS

Interview with Daniel Ioannis Zürcher

EFG International

Daniel Ioannis Zürcher, Global Head Independent Asset Managers, EFG International

Since January 2022, Daniel Ioannis Zürcher has been Global Head Independent Asset Managers at the private bank EFG in Zurich, where he has worked for the past four years. He previously spent 14 years at Credit Suisse, where he focused on the business with independent asset managers and most recently headed its IAM Business Development unit. After graduating from the University of St. Gallen with a degree in banking and finance, he began his career at PwC. He holds an Executive MBA from London Business School and Columbia Business School.

1. How did the end of the transitional period on 31 December 2022 impact your business model as a custodian bank, i.e. pre-licensing vs post-licensing? How did you prepare for the transition (e.g. in operational or legal terms)? Did you face significant challenges and, if so, have you successfully addressed them?

Our goal is exactly the same today as it was before end-2022, when the new requirement was introduced: we are fully focused on partnering with our IAM clients and on providing state-of-the-art tools to support them in their work and free up valuable time that they can devote to their clients. In certain areas, our work has become more complex, while in others, we have become even more efficient.

2. How do you expect the increased costs associated with risk control and compliance to impact the asset and portfolio management industry as a whole and the relationship between asset and portfolio managers and their custodian bank (e.g. pressure on pricing)?

The new requirements will clearly increase complexity on the regulatory side and thus increase the pressure on IAMs. For custodian banks, this development also creates an opportunity for them to offer solutions that enable IAMs to focus on their end-clients.

3. In an interview published on the EFG International website in 2021, you mentioned that smaller asset and portfolio managers were relying more and more on external service providers in areas such as IT or compliance. Do you expect this trend to become more pronounced in the future as asset and portfolio managers adapt to new regulations?

I strongly believe that the smaller IAM organisations will want to keep their independence and avoid joining a larger IAM organisation – at least, in the short to mid-term. To maintain their independence and flexibility, they need to optimise their operational costs and outsource certain functions or services to specialist providers. The market is also responding to this development, with service providers adapting their value proposition to serve them.

4. What opportunities do you see under the new regulation, both from the asset and portfolio manager and the custodian bank perspective?

Based on our observations the new rules have triggered a certain level of consolidation, but in most cases, the players involved are small independent asset managers while the level of assets under management in the industry has not decreased significantly. This shows that IAMs continue to play a significant role within global wealth management and can benefit from their specific strengths: Thanks to their independence, for example, they are well positioned to find the best solutions for their clients and – even more importantly – they can cultivate strong long-term client relationships. Since they are not integrated into rigid corporate structures, they also benefit from a higher degree of agility. In a market that moves very quickly, this can be a decisive competitive advantage.

In conclusion, I believe that the new FINMA licence represents an opportunity for the Swiss IAM industry, since an IAM licence is a standard model in most jurisdictions.

5. In terms of value proposition, how do you remain agile and responsive to industry trends, emerging technologies and best practices to ensure you meet the evolving needs of asset and portfolio managers and their clients?

We invest heavily in our people and our platform. This means that we are expanding our in-house teams and, at the same time, increasing the capabilities of our platform. In the last years we decided to follow a new path: for example, we have entered into strategic collaborations with Portfolio Management System providers and an open product architecture, and we can easily help asset managers to create products such as AMCs (Actively Managed Certificates).

6. You cover the international asset and portfolio manager market for an international banking group. What are the main differences you have observed between Switzerland's asset and portfolio manager industry and that in other regions such as the EU, the UK, Asia, LATAM and North America?

> "The IAM segment is of strategic importance for the bank and in the last years we have invested intensively in this business at two levels: people and platform, to offer solutions that enable IAMs to focus on their end-clients."

The IAM industry has different levels of maturity across the different regions. As a result, in Asia, the Middle East and LATAM, the industry is expected to achieve stronger growth than in Switzerland. The UK remains an attractive and promising IAM market, as London is regarded as a highly professional and attractive financial centre by large numbers of international HNWI/UHNWIs.

7. What effect do you believe recent events such as UBS's acquisition of Credit Suisse will have on the asset and portfolio management industry? Could it adversely impact the reputation and attractiveness of Switzerland and its competitiveness in the market?

Instead of two large custodian banks, the IAM industry will have only one large banking player in Switzerland. This is a great opportunity for mid-size custodian players like EFG to increase the market share.

8. How do you see the competitive landscape for custodian banks evolving? Is it a "numbers game" where larger custodians will prevail? What do you see as the key success factors?

I believe that the right combination of people and platform is what counts. Technology is clearly a game-changer in a B2B environment. If an IAM can manage clients and portfolios efficiently, this will make all the difference when selecting a custodian bank. That said, the value of client advisors in advising and supporting IAMs and end-clients in day-to-day operations will be a key factor. Custodians of mid-size banks have been important players in the industry over the last few years and will continue to be an alternative to larger counterparts.

9. As Global Head Independent Asset Managers, what is your key strategic priority in the mid- and long-term?

EFG is a "rising reality" in the IAM industry. The bank declared the IAM segment to be of strategic importance and in the last years we have invested intensively in this business at the two levels I mentioned: people and platform. This will remain the case going forward. Over the years, we were able to significantly grow our market share in Switzerland and in all our international hubs, but there is still significant potential that we want to capture in key target markets.

EFG

Interview with Stefan Baumann

SwissComply AG

Stefan Baumann, CEO, SwissComply AG

Stefan Baumann is the CEO and Managing Partner of SwissComply. His areas of expertise include general advice to portfolio managers, family offices, investment boutiques, managers of collective assets and fintech companies in all regulatory and compliance-related matters. Before joining SwissComply, he headed the independent asset manager division at another consulting firm for four years. He also worked for 12 years for a leading Swiss bank in various functions in private banking, asset management and strategy in Switzerland and abroad. Stefan Baumann is an economist (lic.oec.publ) and Chartered Alternative Investment Analyst (CAIA) and holds a CAS in compliance management.

"The regulatory pressure will not prevent any asset and portfolio managers from entering the market."

1. Could you please briefly describe the history of SwissComply, your core expertise and your mission as a reliable partner to asset and portfolio managers?

SwissComply was founded in 2013 by Kaspar Wohnlich, now chairman, with the aim of supporting Swiss wealth managers and managers of collective assets in the fulfilment of their regulatory obligations. SwissComply has always remained true to this focus and this continuity is certainly one of the main reasons why, after 10 years, our 30 specialists are able to provide long-term support to over 200 clients from the asset and portfolio management industry as an outsourcing partner for compliance and risk management solutions. All SwissComply employees give their best every day to satisfy our outsourcing and advisory clients. I consider our daily commitment to the asset and portfolio management industry and the pleasure we take in working with asset and portfolio managers to be a second important success factor.

2. How many licensing procedures for portfolio managers have you successfully supported? What were the challenges, best practices and your experience in the process with FINMA?

As of the beginning of November 2023, we have already accompanied almost 100 portfolio managers into independence (50 portfolio managers who we are guiding through the licensing procedure are currently still in the process). We hope to exceed this number by the end of the year, which is a huge success for a small company like SwissComply with just under 30 employees. The countless authorisation procedures have given us the opportunity to continuously optimise our best practice and anticipate potential questions from supervisory organisations and FINMA. Of course, not every licence application goes through the reviews of the supervisory organisations and FINMA equally efficiently and quickly. But overall, cooperation with the supervisory authorities in the authorisation process has been good and pleasant.

But at SwissComply we are all ambitious and strive every day to improve and increase the efficiency of our services to be able to guide our clients through the licensing process even more efficiently and competently.

3. Obtaining the licence is the first step, but what solutions does SwissComply offer to help asset and portfolio managers comply with FinSA/FinIA regulations going forward? From your point of view, will there be further regulatory obligations and tighter requirements for asset and portfolio managers in the future?

SwissComply has concluded outsourcing contracts with 200 clients from the financial sector. As part of these agreements, we assume responsibility for the compliance function (including the specialist Anti-Money Laundering Act (AMLA) unit), the risk management function and often also legal services. Naturally, these outsourcing mandates also include support in ensuring compliance with FinSA/FinIA/AMLA regulations and other regulatory requirements.

I could imagine that portfolio managers who manage their own investment products (investment funds under de minimis or AMCs) will be subject to a certain degree of harmonisation with the requirements of the more highly regulated managers of collective assets, for example in connection with product-specific risk management. In our opinion, this would be logical from a regulatory and systematic point of view. In addition, the organisational requirements of FinIA will of course be new and therefore challenging for all asset and portfolio managers in the coming years. However, I am convinced that the asset and portfolio management industry will very quickly become accustomed to the new supervisory regime and that the new regulation will not represent an insurmountable obstacle for any asset or portfolio manager.

4. In principle, the strategic decision in favour of outsourcing leads to an increase in cost efficiency, particularly in view of the expected increase in regulatory costs. Can you please quantify the cost savings of this outsourcing decision (approximate percentage range versus in house)?

Of course, as an employee of SwissComply – one of the largest outsourcing providers for asset and portfolio managers – I am a big fan of compliance and risk management outsourcing and perhaps the wrong person to answer this question neutrally. However, with a company that has 30 specialists and 200 clients, economies of scale in training, directives and internal controls, as well as cooperation with the supervisory authorities and auditors, certainly help us to control the effort and associated costs. We also know what the regulator requires and can consistently avoid "over-engineering".

The "average" company with 4-6 employees and manageable risks usually gets comprehensive outsourcing in compliance and risk management for less than CHF 40,000 per year. I assume that an in-house solution, even with a part-time workload, is more expensive in most cases. Ultimately, every asset and portfolio manager has to make their own decision as to whether they want to fill this function internally or externally, and there are advantages and disadvantages to both options.

5. What is the competition like in the market for compliance outsourcing solutions? How is SwissComply different?

The market for compliance and risk management outsourcing solutions has grown considerably in recent years. With ten years of experience in this field, SwissComply is certainly one of the most established providers of solutions for Swiss portfolio managers and managers of collective assets. Accordingly, we don't pay much attention to what our competitors are doing, but stick to our corporate principles. These include the fact that we have agreed annual fixed fees with all our outsourcing clients. Our customers can budget their expenses for this outsourcing accordingly and do not experience any nasty surprises in the course of the collaboration. We are also probably one of the few companies that focus entirely on the portfolio manager and manager of collective assets segment. This focus and our large network in the industry also enable us to support our clients outside the regulatory field, for example in the appointment of board members or in the process of finding delegation partners. Another principle of SwissComply is that we want to offer our clients the highest quality in compliance and risk management. This should create security, sustainability and regulatory protection. However, such quality also has its price, which is why we will never be "dumping" offers in the market.

6. For smaller portfolio managers (e.g. one-man/woman shows), what do you think are the success factors for continuing to operate competitively and profitably (organisationally, business model, etc.)?

The first few years under FinIA have shown that even the smallest set-ups (one-man/woman shows) can continue to operate successfully if they have their operational risks under control and can demonstrate the relevant knowledge and experience in the services offered and the customer domiciles served. In addition, one-man/one-woman shows must implement a business continuity management system, which includes, for example, the option for another portfolio manager temporarily to take over business activities in the event of the absence of the person managing the business. If these regulatory requirements are met, nothing stands in the way of successful activity as a micro-entrepreneur.

7. How will the asset and portfolio management sector develop over the next few years and what do you see as the biggest opportunities and challenges for it?

The greatest strengths of asset and portfolio managers have always been the greatest weaknesses of banks in this country, namely putting long-term client relationship at the centre of their strategy. Basically, of course, every relationship manager at a bank also wants to develop their client book with a long-term horizon and build long-term, reliable and personalised client relationships across different generations. However, unlike entrepreneurial asset and portfolio managers, banks are generally run by managers who maximise short-term profits. Unfortunately, this constellation at banks often leads to a disconnect between the bank's interests and the client's interests and to frustration among relationship managers. If a relationship manager has built up good client relationships, they will always have self-employment as an alternative in the back of their mind, and the market for asset and portfolio managers will maintain its important position in the Swiss financial sector in the future and probably even expand it. SwissComply's client structure also allows conclusions to be drawn about the dynamics of the asset and portfolio manager market.

An estimated 25-30% of SwissComply's clients are companies that were founded in the last 3-5 years.

In terms of challenges, I see pressure on margins in the longer term due to fierce competition and the increased mobility of (young) clients. I see an additional challenge in the digitalisation trend in financial services, also driven by younger clients. Digitisation efforts can quickly become very expensive for small companies.

On the other hand, the market will very quickly become accustomed to the new challenges of FinIA and FinSA. The regulatory pressure will not prevent any asset and portfolio managers from entering the market. That is a good thing and, incidentally, also intended by the regulator and legislator!

8. As CEO, what are your strategic priorities for SwissComply to continue to grow?

The board of directors and executive board of SwissComply are working intensively on this question. Of course we would like to continue to grow, but at the same time we don't want to abandon our principles and our SwissComply DNA. In this respect, we will continue to focus on the Swiss asset and portfolio manager segment and the organic growth of our company. At the same time, SwissComply is also pursuing further strategies and opportunities in terms of inorganic growth. Various digitalisation projects are also on the agenda, which will increase efficiency and also have a positive impact on client benefits. Finally, we will continue to expand our range of services over the coming months.

Incidentally, new clients almost always come to SwissComply as a result of recommendations from existing ones. The best growth strategy is to carefully nurture existing client relationships. What sounds trite and simple has always proven to be the best growth strategy.

Interview with Marcos Esteve

Banque Heritage SA

Marcos Esteve, CEO and Managing Partner, Banque Heritage SA

Marcos Esteve joined the bank in 2006 and held several key management positions before being appointed CEO in July 2017. From January 2014 to July 2017, he was head of private banking. Prior to that he was the bank's head of financial services and logistics, giving him an in-depth understanding of the complexities of banking operations, the inherent regulatory framework and the bank's customer service offering. Prior to joining Banque Heritage, he was CFO of one of the world's leading fashion companies. During the same period, he was appointed to the board of directors and the executive, audit and IT committees of Banque Heritage. Marcos began his professional career in the internal audit division at Nestlé's head office in Switzerland. He holds master's degrees in business information systems and economics (business administration) from the University of Lausanne, HEC.

1. Could you describe the DNA of Banque Heritage and its mission?

The DNA of Banque Heritage is that of a family of entrepreneurs. We began our operations as a family office and later obtained a banking licence. When Banque Heritage was founded in 1986, my father and brother had the foresight to suggest that we put in place an infrastructure similar to that of a bank, which made it easier to apply for a banking licence when FINMA required it. In fact, at the time, the family office had already adopted this model on my father's initiative, which led the Swiss Federal Banking Commission (now FINMA) to require the submission for a banking licence. We made the transition successfully.

Heritage still retains the spirit of a family office, but with a banking licence. It should be noted that 10% of our clients' assets are deposited with other banking institutions, meaning we act as an "external asset manager", and this experience gives us a perfect understanding of the world of asset and portfolio managers. We have an open architecture in terms of clients, who can, if they wish, have part of their assets deposited with other major banks through our intermediary. Under our investment approach, we don't have any in-house products, so we have de facto no conflicts of interest. We focus our research on the investment universe and all asset classes that are reasonable for the investor in terms of risk reward. We give precedence to our family and clients over the bank's profitability, delivering performance to both our clients and our family.

2. We understand that the asset and portfolio management business is a strategic pillar of the bank (around 20% of its assets under management, or CHF 700m). What have been the key ingredients of your success both in this area and in your role as custodian bank, where you face competition from the big banks?

Thanks to our history, having originally been a family office before becoming a bank, we understand intimately the needs of asset and portfolio managers. Our endeavours to cover the asset and portfolio management market began when some of our bankers left us to become independent while keeping their assets with us.

Subsequently we made a real commitment to actively developing this business. Today we work with more than 60 asset and portfolio managers representing CHF 700m of assets under management, 95% of whom are based in Switzerland and the rest abroad. To serve them, we have two desks dedicated to asset and portfolio managers (one in Geneva and the other in Zurich), each with four experienced professionals (including three relationship managers and one assistant).

The fact that we cover clients in over 40 countries means that local knowledge of these territories also feeds into our market strategy in terms of developing the bank.

What asset and portfolio managers mainly expect and what makes us unique as a custodian bank is our ability to offer a quality of service in line with their specific needs, a personalised relationship based on trust, and a degree of agility and speed of execution that you won't necessarily find with large institutions.

3. What impact did the end of the transitional period for portfolio managers on 31 December 2022 have on your activity and business model dedicated to asset and portfolio managers? Have you encountered any major challenges? How have you resolved them?

All our independent asset managers have applied for a licence, so we haven't been caught out by clients potentially managed by independent asset managers who haven't taken the necessary regulatory steps.

> “In our journey at Banque Heritage, we have blended the Swiss tradition of meticulous banking with our own entrepreneurial heritage, focusing on meaningful partnerships with asset and portfolio managers”

In the same way that the banking industry has undergone a phase of consolidation in recent years, we are now seeing consolidation in the third-party asset and portfolio management industry, due in particular to the increased costs associated with implementing the new regulatory requirements, with a reduction in their margins and a consequent strategic rapprochement for asset and portfolio managers that don’t have the necessary critical mass.

4. What opportunities do you see for collaboration between asset and portfolio managers and custodian banks under the new regulations?

First and foremost, it’s a relationship of trust: if third-party asset and portfolio managers work with us, it is for the reasons mentioned above. They also have to deal with the same market strategies as the banks, so they need a well-defined framework. From this point of view, we are aligned and proactively support our asset and portfolio managers.

With the new regulations coming into force, some are unfortunately underestimating the complexity and organisation required to operate in this new environment. Small asset and portfolio management structures (with fewer than ten employees) do not necessarily have sufficient skills to cover all investment areas and asset classes. As a result, banks will almost certainly be called upon to provide them with investment services in the form of “CIO offerings”, which we already offer to family offices, for example.

5. Is there a minimum size of assets under management to become an asset or portfolio management client with Banque Heritage? And what key solutions does Banque Heritage offer to support smaller asset and portfolio managers?

At Banque Heritage, we don’t have a minimum for asset and portfolio managers or a set limit like the larger banks. This gives us a competitive advantage, and some asset and portfolio managers approach us because they don’t necessarily have the size for these large institutions. We offer them a personalised service with high added value and attractive pricing. We work on the principle that we will grow together over time.

Every asset and portfolio manager is unique. When you start a relationship with a new custodian bank, there is a test with an initial account and then you look at the potential for development.

But I imagine that third-party asset and portfolio managers are also faced with the same profitability issues as we are. In this case, opening an account in Switzerland for a foreign client comes at a cost, and I believe that below CHF 1m, it is neither profitable for the asset and portfolio manager nor for us.

If I may use an analogy: it is all very well to own a Ferrari, but you have to accept and bear the associated maintenance costs. The same applies to having an account in Switzerland. There is a cost involved, and so a minimum size is needed to bear the associated costs while still generating a performance in line with the markets.

6. With the expectations of asset of portfolio managers and their clients becoming increasingly complex, how do you remain responsive and agile in the face of industry trends and emerging technologies to ensure that your service offerings, products and innovation meet their needs?

We rely on technology, on constant innovation, which is the philosophy built into our family-run, entrepreneurial bank. To take an example, we are able to establish portfolios for our clients with ESG ratings that we can share with our asset and portfolio managers for their own management activity. We stay at the cutting edge of technology, but above all we listen to our clients to meet their needs.

BANQUE HERITAGE

Interview with Licia Napoléon Bonaparte and Flora Karasso Rupf

Phoenix Global Services SA

Licia Napoléon Bonaparte, Founding Partner, Phoenix Global Services SA

holds a master's degree in international relations from IHEID in Geneva, a certificate in compliance management from the University of Geneva and a certificate in corporate governance from Harvard Business School. She has over 25 years of experience in private banking, business creation and development, risk management and compliance, spanning roles including company secretary, chief risk & compliance officer and head of corporate strategy at leading banking institutions in Geneva. She has also set up and managed a bank (accepted as CEO by FINMA). Licia co-founded Phoenix Global Services with Flora. For many years she also lectured at the Institut Supérieur de Formation Bancaire (ISFB) in Geneva.

1. Can you briefly describe the history of Phoenix Global Services SA, your expertise and your mission as a trusted partner to asset and portfolio managers?

Phoenix will soon celebrate fifteen years as a consultant recognised for its expertise in banking and financial law, risk and compliance management. Our mission is to transform costly and time-consuming regulatory constraints into a competitive tool, helping clients obtain the best outcomes for the future, protect their present and safeguard their reputation.

2. How many portfolio manager licensing processes have you successfully supported? What have been the challenges, best practices and your experience in the process with FINMA?

We have successfully assisted a large number of portfolio managers. The major challenge has been the psychological barrier.

Our role has been to build trust and explain the paradigm shift from an AMLA supervisory system to prudential supervision.

Our relations with the supervisory bodies have been fruitful, and they have generally been very cooperative.

Our exchanges with FINMA have also been cordial and productive. A genuine partnership has developed. FINMA's practice has evolved over time and new requirements have been introduced, making the finalisation of certain cases more complex. Files submitted by the same provider could have been handled by the same FINMA contact.

3. What solutions does Phoenix Global Services SA propose to ensure that asset and portfolio managers can continue to comply with the requirements of FinSA/FinIA? In your view, will there be further regulatory obligations and increased regulation for asset and portfolio managers in the future?

Phoenix offers a wide range of tailor-made solutions that enable asset and portfolio managers to comply with the new regulatory requirements quickly and cost-effectively, including advisory assistance, risk and compliance outsourcing and monitoring, and the option of buying our reporting tools, internal documentation and certain contractual documents.

We are witnessing a proliferation of regulations and the constant revision of standards. Calling on the services of professionals is valuable to avoid making mistakes. It is only a short step from breaching a law to FINMA sanctions. Compliance with these obligations must be absolute, since any breach can have serious consequences, which may be prudential in nature and even jeopardise the licence to operate issued by FINMA.

4. In principle, the strategic decision to outsource makes it possible to improve cost efficiency, particularly in view of the expected increase in regulatory costs. Can you put a figure on the cost savings from this outsourcing decision (percentage range, compared with insourcing)?

The challenge of insourcing is threefold. You have to find a compliance and a risk specialist, as well as their deputies. We note that FINMA has tightened the screws on the skills of risk officers. And in the end, you still have to find employees who are willing to not necessarily work 100%.

The advantage of outsourcing is that such FINMA-approved specialists can offer their expertise on an à la carte basis. The savings are substantial, up to 70% depending on the number of hours chosen.

Flora Karasso Rupf, Founding Partner, Phoenix Global Services SA

holds a master's in law from the Aristotle University of Thessaloniki in Greece and a bar exam (Thessaloniki Bar Association), as well as an LLM and a certificate in compliance management from the University of Geneva. She is also a certified ICI Master Coach. Flora has more than 25 years of experience working for asset managers in Geneva as a legal, compliance and trust officer. She has been with Phoenix for 15 years, managing projects in risk management, in particular with banking institutions. Flora sits on various boards of directors.

Flora and Licia are members of the Groupement des Compliance Officers (GCO) and the Swiss Risk Association (SRA).

5. How is the competition in the market for compliance outsourcing solutions? How does Phoenix Global Services SA stand out?

We are seeing an upsurge in new companies and even law firms. For our part, we favour prospects who come to us by word of mouth. We concentrate on building long-term relationships with all our clients. At Phoenix, we have total control over the quality of the service provided. Some of our competitors sub-delegate to external providers or use auxiliaries.

According to the supervisory bodies, FINMA, auditors and our clients themselves, Phoenix stands out for the precision of its services and the methodical structure of its tools. Our staff have the seniority to work quickly and efficiently and are skilled in both risk and compliance management. You have a single point of contact for risk and compliance management and a single deputy. With some of our competitors, you can end up with four different contacts.

Our outsourcing packages are transparent and include the provision of internal documentation, contractual documents and sophisticated reporting tools. There are no nasty surprises, hidden costs or services not included.

6. For small portfolio managers (e.g. one-(wo)man shows), what do you think are the success factors for continuing to operate competitively and profitably (in terms of organisation, business model, etc.)?

The major challenge for one-(wo) man shows is to ensure continuity of operations and, for those approaching retirement, plan for the handover of the business. Phoenix helps them think matters through and also offers M&A Services.

All in all, this type of model works very well and remains profitable. The portfolio manager is either a niche manager and/or has long-standing clients or is a start-up.

Outsourcing the risk and compliance function gives them the comfort of professional risk management while allowing them to concentrate on their core business and avoid any potential wrong steps.

7. How will the asset and portfolio manager sector develop over the next few years, and what do you see as the greatest opportunities and challenges for the asset and portfolio management sector?

The raison d'être of asset and portfolio managers is based on independence and personalised service, an open-architecture product offering and stable, predictable human contact that clients no longer find with banks.

The biggest challenges remain the constantly changing regulatory environment and the accumulation of incompressible costs, doing without third-party remuneration, and offering better performance and more competitive rates.

Smaller structures that achieve comfortable profitability will not seek to join other structures and will maintain their independence. However, some synergies are developing in terms of cost-sharing, e.g. sharing premises.

Contrary to the market's initial expectations, we have not seen many mergers. Marriages are always complicated.

8. What are your strategic priorities for Phoenix Global Services SA as it continues to grow?

Phoenix is consolidating its long-term relationships with a growing number of asset and portfolio managers. The growth is organic. A new partner joined the company in 2021, Marie-Noëlle La Ngoc, whose long experience has accelerated the development of the asset and portfolio management segment. New partnerships are in the pipeline.

"The biggest challenges remain the constantly changing regulatory environment and the accumulation of incompressible costs, doing without third-party remuneration, and offering better performance and more competitive rates."

PHOENIX GLOBAL SERVICES SA

Appendix 1

Appendix 1: List of recent publicly announced M&A transactions in the asset and portfolio management industry[5]

Date	Buyer	Target	Target AuM	Rationale
Dec 23	Cinerius Financial Partners AG	SSI Wealth Management AG	CHF 2.0bn	With SSI Wealth Management, there are now eight partner companies in the Cinerius group – with around 160 employees at 15 locations, over 6,000 customers, and AuM of about CHF 13bn. Cinerius has acquired a majority stake in SSI Wealth Management but its executive board and partners will continue to have a significant holding in the company.
Nov 23	Crossinvest SA	KTS Capital Management AG	n/a	Crossinvest Zurich, part of the Crossinvest Group and with more than CHF 3bn in AuM, is taking over the employees and clients of Zurich-based multi-office KTS Capital Management, which was founded in 2009 and focused on high-net-worth clients.
Oct 23	Bruellan SA	BCB Asset Management SA	n/a	Geneva-based asset management company Bruellan announced that it had absorbed its Valais counterpart BCB Asset Management, based in Martigny. After Verbier, Crans-Montana and Gstaad, the Geneva-based asset manager now has a new office in Martigny. The ten-strong BCB team will be integrated with the Bruellan team already operating in the region.
Sep 23	Pleion SA	Finstoy SA	CHF 0.2bn	Together, Probus Pleion and Finstoy will be a group managing more than CHF 3bn with an expanded presence in Switzerland and abroad. It will also combine the experience of Pleion with the technological innovation of Finstoy to offer new services to clients, in particular robo-advisory.
Jul 23	IK Partners, Summit Partners	Cinerius Financial Partners AG	n/a	IK and Summit partners (both PE firms) are investing (or increasing their position) in Cinerius to consolidate its position as a leading asset and wealth management platform by pursuing organic growth initiatives and expanding its group of partner businesses through M&A. Cinerius seeks to leverage IK's expertise to unlock further growth potential in the DACH region's fragmented asset and wealth management industry.
May 23	Banca dello Stato del Cantone Ticino	Altrafin AG	n/a	The partnership (minority investment of BancaStato in Altrafin) and collaboration will enable Altrafin to offer its personalized investment management services in Southern Switzerland and Italy. In turn, BancaStato will be able to offer Altrafin's high quality services to its entrepreneurs and high net worth clients through an expanded private client offering and strategic expansion in Zurich.
Apr 23	Quaestor Coach AG	GMG Asset Management SA	n/a	Geneva Management Group (GMG) has partnered with Quaestor Coach to expand its offering to clients and consolidate its position in Switzerland's private asset management market. The partnership will provide GMG access to consolidation opportunities in the Swiss market, helping it accelerate its growth strategy. Quaestor Coach's experience in "buy and build" strategies will help GMG attract relationship managers and teams from banks and asset and wealth managers.

Mar 23	KPC Consultoria Financeira	Brainvest Wealth Management SA	n/a	Brainvest has agreed to merge with the Brazilian multi-family office KPC Consultoria. Brainvest is an asset management firm with offices in Switzerland (Geneva and Zurich), the US and Brazil; it also operates a trust company in Switzerland. Together, the companies will have AuM of more than CHF 4bn.
Mar 23	Swisspartners AG	Decimo Immobilien AG	n/a	Zurich-headquartered portfolio management firm Swisspartners has announced a merger with small real estate firm Decimo Immobilien. It is the second merger announced by Swisspartners in quick succession, following a tie-up with fiduciary company NRS Treuhand also made public recently. Property specialist Decimo Immobilien is based in Rapperswil, Canton St. Gallen. The merger will allow Swisspartners to expand its services in property management, real estate consulting, project management, renovation and brokerage in Zurich and Rapperswil.
Feb 23	LFG Holding SA	Essentia Family Office SA	CHF 0.5bn	LFG Holding holds investments in asset and wealth managers based in Zurich and Lugano, which together manage CHF 2,5bn AuM, employ 50 FTEs and serve more than 700 clients. Essentia is an independent multi-family office in Lugano that has been providing wealth advisory services to international clients since 2009. The aim of this transaction is to create a hub that stands out for its existing professionals, both in advisory and wealth management.
Feb 23	Cinerius Financial Partners AG	Entrepreneur Partners AG	CHF 4.0bn	Cinerius has acquired a majority stake in Entrepreneur Partners AG in Zurich to enhance Cinerius's market position in the German-speaking region of Europe (DACH). The Cinerius group already comprises six German asset and wealth managers with over 120 employees in 11 locations and over CHF 7bn in AuM.
Dec 22	Valcoris & Partners – Gestion de Patrimoine SA	Privaswiss Management SA	n/a	Valais independent asset manager Valcoris & Partners has acquired family office Privaswiss Management to strengthen its market position in Switzerland.
Nov 22	Fundamenta Group Holding AG	Belvédère Asset Management AG	CHF 3.0bn	After the transaction, the Fundamenta Group employs 100 specialists at 5 locations in 2 countries, serves over 350 institutional clients and over 600 HNWIs. Clients gain access to Fundamenta's world-class real estate expertise and benefit from Belvédère's other attractive asset classes such as alternative investments.
Sep 22	Cardea Finance GmbH	Trinkler & Partners AG	CHF 0.3bn	Cardea (USD 4.5bn AuM) currently has branches in Atlanta, Frankfurt, London, Milan and Zurich. The acquisition of Trinkler creates the basis for further dynamic growth in Switzerland and Europe. Trinkler will also benefit from the valuable and differentiated asset and wealth management services provided by Cardea.
Aug 22	Baumann & Cie KmG	Vögeli Vermögens-verwaltung AG	n/a	Baumann & Cie Private Bank acquires 100% of the shares of Vögeli Vermögensverwaltung AG. Vögeli has been providing comprehensive financial services for affluent private clients for over 30 years. For the clients and employees of the family-owned company, this transaction signifies continuity as well as access to a complemented service offering within the Baumann Group. Vögeli will continue its business model independently.

Appendix 2

Appendix 2: Glossary

AG	Aktiengesellschaft
AI	Artificial intelligence
AMLA	Anti-Money Laundering Act
AuM	Assets under management
Bps	Basis point(s)
CEO	Chief executive officer
CFO	Chief financial officer
CHF	Swiss francs
COO	Chief operating officer
CRO	Chief risk officer
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ESG	Environment, social, governance
EU	European Union
EUR	Euro
FinIA	Financial Institutions Act
FinIO	Financial Institutions Ordinance
FINMA	Swiss Financial Market Supervisory Authority
FINMASA	Financial Market Supervision Act
FinSA	Financial Services Act
Fintech	Financial technology company
FTE	Full-time equivalent
GmbH	Gesellschaft mit beschränkter Haftung
HNWI	High-net-worth individual
IAM	Independent asset manager/management
IT	Information technology
KPI	Key performance indicator
LATAM	Latin America
M&A	Mergers and acquisitions
OPEX	Operating expenses
P.a.	Per annum
PM	Portfolio manager
RoA	Return on assets
SA	Société Anonyme
VSV|ASG|SAM	Swiss Association of Wealth Managers
SEC	US Securities and Exchange Commission
SMEs	Small and medium-size enterprises
SO	Supervisory organisation
SRO	Self-regulatory organisation
UHNWI	Ultra-high-net-worth individual
UK	United Kingdom
US	United States (of America)
USD	United States dollar
USP	Unique selling proposition

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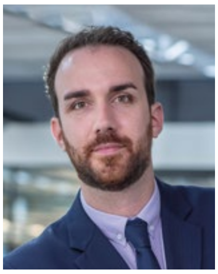

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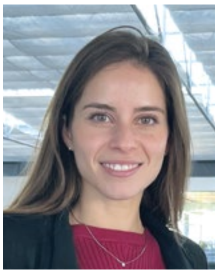

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