

## Fact sheet

### Independent Asset Management

**Independent asset management is not a uniform service. Different combinations of services tailored to meet individual customer needs are available. More often than not, it's a matter of an integral approach towards the client's asset interests rather than just managing funds for safekeeping in a bank.**

**Overseeing assets with an integral approach** The tasks in detail include, for instance, consulting with regards to investment business, consolidation of assets, coverage by insurances, structuring of financial security, development of property portfolios, succession and inheritance planning, and the settlement of inheritance affairs.

Main focus is placed on the independent protection of the clients' interests. It is based upon professional competence, an eye for the essentials, discretion, trust, sustainability and far-sightedness. In times marked by fast changes and unclear market and product developments as well as a highly volatile market, an independent, personal consultation with regards to a long-term cooperation can establish a distinct additional benefit for the client.

**Specialisation – certain asset categories in focus** Independent asset management can also exist in a particular specialisation: a clear focus on certain asset categories, such as foreign currency or assets in private equity. These market participants target other asset managers in independent or banking sectors instead of approaching clients directly.

Independent asset managers are therefore not only service providers for the end-consumer; they are also strongly positioned in the B-to-B marketplace. It is precisely in this area of management of collective capital investments that the independent asset managers in Switzerland have developed a strong drive.

**Important independence** For most independent asset managers the outset of the business concept is the desire to engage in the management of the client's assets according to their own convictions. Independence, according to the asset manager, is based upon the absence of practical constraints and discretionary powers of others.

Therein lies the difference between independent asset managers to other entrepreneurs in the financial sector. Independence also means the objective, independent support of the client, the absence of – undisclosed – distribution restraints, the selection and recommendation of financial products and services with the priority of client interest.

## Substantial Market Share and Commercial Structures

- Strong dynamics** Since the 80s, asset managers in Switzerland have continually expanded their position. In Switzerland, according to a study by BNP Paribas, there are currently around 3,000 practicing independent asset managers. They handle a sixth of all monies invested in Switzerland, i.e. approx. 650 billion francs of the countrywide managed assets of 3,708 billion francs (as of Q2/2008). Almost 60% of the companies manage less than 500 million francs; the average portfolio per company is approx. 150 million francs.
- Considerable value creation** Assuming an average yearly gross yield of 0.8% of the managed assets, the result is a value creation of over 4 billion francs. This consists of the asset managers' and consultants' fees, commissions for the handling of securities orders as well as fees from finance product sales.
- Numerous jobs** With an average of 3.7 employees per company, around 9,600 people work in this branch. Of them, around 6,000 people deal with actual asset management and consultancy; some 3,600 people handle administrative tasks and other assignments. The branch is extremely fragmented: it consists of many small businesses and micro-entities as well as a few large companies. Companies with one or two employees dominate the market.
- Important foreign countries** Customer proximity is essential for the branch; the clientele is therefore recruited from the region and from Europe. Stefan Schmid's diploma thesis, published by the Swiss Banking Institute in 2007, states that the IAM managed approximately 46.9% domestic and 53.1% foreign customers. There are large regional differences: French-speaking Switzerland and Ticino with 66.7%, respectively 91.3%, are much more dependent on foreign assets than German-speaking Switzerland.
- Increasing cost pressure** According to various reports, the branch is facing an increase in administrative costs in the long-term as a result of increasing regulatory pressure. The dwindling of international assets as a consequence of the current financial and economic crisis is also hitting profitability. In addition, a preference for simpler, more transparent products narrows the margins and lessens the return on investment.
- Trend towards consolidation** Small companies, in particular, must orientate towards smaller profitability. In this environment, cooperation and alternative business models will become more meaningful. In using alliances processes can be bundled, costs decreased and offers improved. In this way, the IAM can respond strongly to the needs of an ever more demanding clientele.
- Important independence** The IAM is particularly obliged to insure independence – because it is and remains a core competitive factor. Apart from personal client relationships that can often endure over generations independence constitutes the success of the business model. And it offers great opportunities for the future: in the light of strained trust in the banking world, the IAM should gain appeal despite the crisis.

## **The SAAM – Leading Trade Association for Independent Asset Managers**

**Functioning self-regulation** The Swiss Association of Asset Managers (SAAM) was founded in 1986 to create a seal of approval for independent asset managers by self-regulation. Since 1999, SAAM is recognised as an SRO by the Anti-Money Laundering Control Authority. The SAAM Code of Ethics and Professional Conduct has since become the Swiss standard for independent asset management. The Code was revised last year and adapted to developments in financial management and regulation. The new Swiss Code of Ethics and Professional Conduct for independent asset management is aimed largely and almost completely at the self-regulating body of the SAAM.

**Professional services** The SAAM provides a number of services for its members. A core task is the continuous education and training of members and their employees. The Association organises regular training events in all three language regions for this purpose. The SAAM organises conventions to promote information networking and exchange of experience. In the foreground are occupational and job-related questions. Finally, the Association consults members in all aspects of their business as independent asset managers, if required.

**Interest representation** The SAAM is active on a domestic and international level as a representative for concerns pertaining to the branch and the protection of investors. The Association works closely with the authorities and trade associations. An active communicator, the Association has positioned itself towards the media and the public as an important financial market actor. The publication «denaris» contributes to this perception of the Association. The magazine is an institutional organ, trade journal and a PR tool. It serves the transfer of knowledge and opinion making and is published four times per year.

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