

“Asset Management Study Switzerland 2015” by zeb and SFI:

ASSET MANAGEMENT IN SWITZERLAND FACES HUGE CHALLENGES

High attribution of expertise, a promising brand, attractive investment performance and a first-rate infrastructure represent solid foundations

Genuine USPs missing; industry’s strengths/weaknesses profile meets requirements only in parts, investors considerably more critical than providers

Regulations regarded as rather unhelpful for Swiss asset managers

Zürich, January 19, 2016 – In spite of a high attribution of expertise, a promising brand and attractive performance, asset management in Switzerland is facing huge challenges. On the one hand, optimism and self-confidence are high among providers. On the other hand, the investors’ confidence in the industry is decreasing, genuine USPs are missing and the current strengths/weaknesses profile in Swiss asset management meets the key requirements of the industry only in parts. These are the core results of the current “Asset Management Study Switzerland 2015” which was presented by zeb, a management consultancy specializing in the European financial services industry, and the Swiss Finance Institute (SFI) in Zürich on Tuesday.

The “Asset Management Study Switzerland 2015” is based on a comprehensive online survey among more than 500 participants in the industry. The survey aimed at obtaining views on the current and the expected medium-term development status of the respondents’ company as well as the industry as a whole compared to international competitors. The survey was conducted against the background of major national players claiming that, given the fairly moderate growth and profitability expectations particularly in private and investment banking, Swiss asset management could and should be built up to become a major pillar of the financial center Switzerland.

The overall result of the study initially shows a relatively positive self-image of Swiss asset management with regard to its competitiveness and assumes increasing advantages compared to international rivals. In this context, however, it becomes apparent that the infrastructure is considered to be the main strength, although this is hardly likely to last given the background of globalization and digitalization and does not constitute a major success factor in the eyes of zeb and SFI. Additionally, in particular the investors as a key group are not deeply convinced by the future prospects of Swiss asset management.

The innovative strength in terms of appropriate AM solutions and products is viewed rather skeptically by the market as a whole, and the quality of internationally accepted investment solutions is regarded as only mediocre. In contrast, the participants as a whole currently judge Swiss asset managers as internationally superior, and according to the participants in the survey, this advantage is even likely to increase. Characteristically, the most positive judgment regarding the asset managers' quality comes from the asset managers themselves—and is considerably better than the assessments made by other groups of participants, in particular those of investors.

When analyzing outsourcing behavior it is notable that, starting from a low level, a clear tendency towards outsourcing activities abroad—also with regard to core functions such as product development, asset allocation and risk management—has been noted. In this respect, not just cost considerations, but also quality issues play a role. This phenomenon can be observed in particular in companies with assets under management of less than CHF 20 bn.

Current regulations for the industry are regarded as less than helpful by all participants. The entire industry feels clearly disadvantaged compared to international competitors because of applicable requirements.

More positive results can be seen in the answers to questions about “branding”. Investors are quite happy with investment performance, and the market's perception of “Swiss Asset Management” is clearly positive. Also in terms of location-based financial incentives for investors and asset management companies as well as their staff, there is good news. Although respondents think that the traditionally very high appeal of Switzerland as a financial center is on the wane, they believe that also in the medium-term there will still be a clear advantage compared to rival markets. Even today, the technical and service infrastructure is regarded as above average—with a continuing upward trend.

In the context of an overall assessment, the participants were also asked for their opinions about the most important and most urgent aspects in their industry. Here, it becomes apparent that, looking at all the individual topics, the strengths/weaknesses profile of Swiss asset management does not sufficiently match the industry's actual requirements and priorities.

Overall it can be said that there are solid foundations, but also serious challenges which require significant efforts on the part of Swiss asset management. Although regulators, politicians and lobbyists are requested to ensure clear support and simplifications for the industry in order to strengthen the international competitiveness of Swiss asset management, the main responsibility rests with the asset management companies themselves. It is up to them to develop genuine USPs and improve their innovative strength, review their operational and business models and focus on profitable activities.

Carsten Wittrock, Partner at zeb: “On a superficial level, the industry's views on the positioning of Swiss asset management appear to be positive. Against a background of innovative international competition and increasing digitalization however, the good average perceived especially by the investors will not be sufficient to guarantee sustainable, profitable growth in asset management in the future. Unique selling points and a strong client proposition are more important than ever, especially for those asset managers who have so far been more used to playing the role of the provider.”

Gabriela Maria Payer, Head of Education at SFI: “The high regard for the infrastructure in Swiss asset management could engender a dangerous false appearance of security which might hinder the competitiveness and innovative strength required.”

Heinz Rubin, Managing Partner at zeb: “Asset management in Switzerland is facing huge challenges; there are indicators for radical change. This change is driven by the investors. From their point of view, the Swiss asset management industry has lost some of its appeal over the last few years. In order to keep the current acceptable position, bold therapeutic measures involving innovation and new ideas will be required. Companies that address these changes proactively will have a chance to re-design the asset management business not just in Switzerland, but on a global scale.”

The study

The range of topics of the “Asset Management Study Switzerland 2015” is based inter alia on the “White paper on asset management in Switzerland” published by the Swiss Banking Association (SBA) and the Swiss Funds Association (SFA) in November 2012 to help promote the asset management center Switzerland. The SBA is one of the founding members of the SFI. The areas examined by the study are summarized in a Swiss Asset Management Index (SAM-X) and will be periodically surveyed in future to track the development of market participants’ sentiment and their assessments of the Swiss asset management industry on a continuous basis. The key factors are represented by means of sub-indexes for regulations and standards, infrastructure, expertise, products, location-based financial incentives and brand. The target groups of the comprehensive survey are investors, asset management companies, regulatory and academic institutions as well as administrators of assets under management and consulting firms specializing in the industry.

zeb

zeb is Europe’s leading management consultancy specializing in the finance sector. Since its inception in 1992, it has supported banks, insurers, asset managers and investors in the areas of business strategy and profitability, sales and organization/IT. For the analysis of the Swiss asset management market, zeb also relies on its strong academic roots.

SFI

The SFI is the leading sponsor of research and knowledge transfer as well as qualification and executive education for the Swiss finance industry. At the same time, it represents a link between financial market research and practice. Since its creation in 2006, the SFI has been the leading organization in research and education in the area of asset management. Topics such as asset pricing and risk premiums or behavioral investing are key subjects for

SFI professors and post-graduates as well as in practical implementation. Based on these specific strengths, the SFI has dedicated its activities in 2015/16 to the topic of asset management.

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