

A redefined proposition for UBS Asset Management

The firm has emerged from a long and hard internal look at what it stands for, and what it is good at, with a new set of values and guiding principles that will help take the business to the next stage of its development in Asia, says Rene Buehlmann.

To drive growth and stay relevant in Asia's competitive landscape, UBS Asset Management has been focused for the past 12 months on re-thinking and re-shaping all aspects of its business and strategy – from investments to products to client service.

“We have spent a lot of the last year sharpening that value proposition, and

The upshot, across every market in which it operates, is a strategy which rests on four pillars: investment philosophies, depth and breadth of capabilities, a global local presence, and a solutions-based approach bringing all the aspects together.

The time and investment the group has put into the division of late reflects the

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in particular the client promise,” says Rene Buehlmann, the firm's head in Asia Pacific.

greater focus that many of the world's largest banks are placing on fund management. Already asset management



RENE BUEHLMANN
UBS Asset Management

divisions contribute a higher proportion to group profits and revenues than pre-2008. And this looks set to continue. According to reports citing McKinsey,

the six largest bank-owned asset managers in Europe, for example, contribute 7% on average to group revenues, up from 3% historically. And asset management accounts for around 11% of group profits, up from 7% historically.

For UBS, meanwhile, this aspect of the overall business is even more significant. Asset and wealth management combined represents around two-thirds of profits before tax.

FORMULATING THE RIGHT CAPABILITY MIX

The first stop in the firm's masterplan involves fostering a set of investment capabilities that display a strong pattern of returns even as markets go through a cycle of dramatic swings.

"We do not just manage one investment style or have one investment philosophy because when you go through market cycles, there are different flavours and skills required along the way," explains Buehlmann.

The efficacy of these capabilities, as with most investment tools and vehicles, is dependent on how UBS Asset Management implements them. But it has a clear goal in mind: deliver the returns that the funds promised.

One way the firm plans to do this is by tapping into its wide network of offices in 27 countries, including seven locations in Asia.

By doing this, it can pull together information not readily available to fund managers otherwise, and then apply the knowledge to the regional or relevant local market.

By straddling local and global markets, Buehlmann believes the asset manage-

ment business will have a unique edge over many of its competitors.

The firm says that it intends to complement this approach with a range of products targeted at a wide cross-section of the investor base, particularly leveraging its broad alternative offering, including hedge funds, real estate and private equity.

Part of the new-look UBS Asset Management also includes, as of 1 January 2016, the combination of its equities, multi-asset and hedge funds capabilities into a single unit, globally.

This has come about in response to a broader industry trends towards the

that the firm is exiting are those it started either because it was the 'flavour of the day' or where it knows it doesn't add much value in today's world.

The ones it will continue to offer are those where it believes it has the skills and can show solid investment performance, he adds.

WHOLESALE APPEAL

Another key goal for UBS Asset Management in Asia is to deepen its penetration with wholesale clients.

"Private banks will continue to be a big channel for us," confirms Buehlmann. "Another important one increasingly is the insurance space."

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convergence of hedge funds, long-only active and multi-asset investing. As a result, the firm is seeking to capture new opportunities by better leveraging its strengths across traditional, unconstrained and long/short products.

Further, the firm is also pruning its product shelf, closing over 30% of its 300-plus capabilities.

Despite having one of the broadest offerings among its peers, it knows that it realistically cannot be the best at everything. Buehlmann says the ones

When he considers some of his biggest clients, which inevitably include the firm's own private banking arm, catering to the world's largest private banks has its advantages. "If you converse with our UBS Wealth Management division and generate ideas that reflect what their big clients in the region want, by its nature these are similar needs that all other third-party distributors have. So we actually benefit from that," explains Buehlmann.

Already Buehlmann's asset management business has on-boarded 30

wholesale distribution partners in Asia since mid-2014, and in 2015 the firm has added over USD4.5 billion in net new wholesale assets in the region.

REACHING CLIENTS

To tie together the various elements of its new strategy, UBS Asset Management has been focusing on simplifying the way it communicates with distribution partners to bring all of its capabilities together in front of the client.

For example, to keep them abreast of the latest market trends and provide a peek into its expansive capabilities, the firm produces a new quarterly publication. This also details its outlook for

where it feels it can really out-perform and meet the needs of its clients.

The firm also wants to communicate more clearly about the benefits of long-term wealth creation rather than short-term tactical gains that might appeal more to customers initially.

“We know clients can generate better investment performance with a ‘boring’ diversified multi-asset portfolio or discretionary portfolio management (DPM),” says Buehlmann. “It is in the interest of the client to get into this more ‘boring’ space which also includes alternatives such as hedge funds and private equity.”

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particular markets and the investment themes it thinks will help to ride it out.

“Depending on what our clients are looking for, whether it is theme-based investing or building blocks in terms of asset allocation, we structure our publication and present all our capabilities in a concise manner that matches those themes,” explains Buehlmann.

But it isn’t a one-size-fits-all approach. And the idea is to come across to clients as being focused on their needs.

To do this, it selects its top 30 capabilities out of the many it has to reflect

This is where he wants to steer the conversation towards. “I want to get away from the tactical flows towards discussing long-term building blocks that can either be used for advisory portfolios or DPM. My goal is to appeal to distributors not with new ideas but rather by managing a part of the overall long-term strategic portfolio. That’s the dialogue we should be having with many of our clients.”

Yet he knows this isn’t a quick process. For 15 years already as a fund gatekeeper he has been trying to convince private clients in Asia to see the value in such managed solutions.

An inside perspective

Rene Buehlmann is among the best-placed individuals within Asian asset management to understand the needs of private banks and other distributors.

Before he took up his current role in mid-2014, he had spent the previous 15 years at UBS Wealth Management. And for the last three of those, he was responsible for global fund distribution and selection.

This gave him a good picture of what he did and didn’t like in terms of the overall offering, as well as the strengths and weaknesses of firms which are now his competitors. He celebrated his 25th anniversary at UBS on 1 Dec 2015.

“But many of these clients have a perceived need of ‘I want liquidity in my portfolio’, particularly when it comes to alternatives,” he explains.

To convince more distributors to take on more UBS Asset Management products into their discretionary mandates, the firm plans to make its offering and value proposition more compelling.

This is in terms of pre- and after-sales services, the product features themselves, and greater access to its portfolio managers.

“We need to convince our partners to go with our best ideas and capabilities,” says Buehlmann.

“In several markets, we are working very closely with banks to help them design the asset allocation.” ■