Why the Pictet formula breeds success in Asia

Claude Haberer of Pictet Group explains how the firm has created a stable business while practically trebling client assets over the last four years in Asia – during a period of self-analysis and consolidation among many players within the industry.

At a time of growing polarisation among providers of private banking services in Asia, Pictet has quietly shown why its business model is one of those set to prosper for the long term.

The wealth management side of the business has practically trebled its AUM in the region over the past four years. It has achieved this by sticking to its strategy of diversified portfolios and discretionary asset management, delivered by a relatively small but experienced group of relationship managers and advisers.

The fact that a large chunk of this asset growth has mostly been net new money brought in by these 45 or so bankers is further vindication of the strategy to focus on share of wallet of the customer, rather than volume.

Above all else, this starts from the priority of protecting its clients' wealth. "Our first and foremost goal is not to make more money for our clients; it is to preserve their assets," says Claude Haberer, chief executive officer for wealth management at Pictet Group in Asia.

This is also tied in to the bank's entire value proposition about striving to take an individualised approach.

PRIORITISING PROTECTION

One seemingly-obvious response to this approach might be to question why it would appeal to most clients.

In Asia, especially, the general perception is that investors are performance-focused and don't want to pay just to get advice. So why would they be interested to put their faith in someone who isn't promising to make higher returns than the market?

CLAUDE HABERER
Pictet

Haberer has the opposite perspective. He sees any efforts by clients to make more money without initially protecting what they have as rather futile. "A client might make 20% a year return on equity (ROE) from his own business, so why should he give money to a private bank just to make 5% [from investments]."

On the flipside, if clients put most of their money into their business as probably the fastest and most reliable way to create new wealth, they further increase their concentration of risk.

This is where Haberer's philosophy of ensuring that every single client doesn't lose money, and that their wealth gets preserved, has created consistent AUM growth for Pictet.

"Diversified discretionary portfolio management is one of our core activities and has been for the past 210 years," he explains. "This is our specialty."

TRIED-AND-TESTED

The bank's approach to investing is another notable way in which it differentiates itself. For instance, explains Haberer, it is synonymous with themed investments, which has been the style for the past several decades.

For some of its strategies, either they are not available at other institutions, or they are created specifically with larger clients in mind, he adds. Water is one of Pictet's well-known specialties, which is still going strong more than 15 years after the launch of the first fund.

This also stems from the bank's view that it can be more effective – in trying to help minimise conflicts of interest with clients – to adopt a partnership approach to investing.

Rather than pushing products, the bank plays a role akin to what Haberer calls an "anti-broker".

"We talk strategies and we source the products, so we don't have to have any particular vested interest in selling one product versus another," he explains.

Neither does the firm feel obliged to pass on insights into a client's business, such as a planned IPO of the company, to the corporate finance team – because it doesn't have one of its own.

Instead, he says clients appreciate the current approach the firm takes. "We can plan for their IPO, in terms of advising on how they should structure their assets and discussing what they could do following the liquidity event."

The bank also has a team that looks after discretionary mandates for direct private equity investments. It can get away with this, despite it now being a time when not many of its competitors would even want to ask clients to sign such mandates, given its performance track record.

OVER THE BRANDING HURDLE

One of the biggest challenges Haberer faced initially when he joined Pictet from BNP Paribas in early 2011 was building the Swiss pure-play's name in Asia. "We had an unknown brand five or six years ago, and we had to try to position it at the right level in a pretty crowded market," he explains.

What the firm did, was to create an Asian investment platform with specialists covering all of the region's local markets. "You can no longer have a Swiss-centric approach, where all you offer are investments coming out of Europe or America," says Haberer.

Further, the appearance of managing partner Nicolas Pictet in the region five times a year, on average, highlights the importance of Asia to the bank. "All of our most important clients, in whatever country, know him and have a relationship with him," says Haberer.

Indeed, this client-facing role runs from the top right down to the most junior banker. "This is a big advantage over some universal banks, where two levels above the relationship manager are people who are not from private banking but are making decisions about the strategy," he adds.

The importance of private banking within Pictet Group also highlights the dedication to this business. By contrast, at most universal banks, the private bank might only comprise 3% or 4% of the total.

"Institutions are not going to build a banking group for the private bank, but that's where we have an angle," says Haberer. "Our bank is built for the private bank."

SKIN IN THE GAME

A common denominator among senior executives at Pictet which breeds a long-term culture and mind-set is the fact that many are part-owners of the business. "The top 40 individuals within the bank have equity in the firm, and therefore are with the bank for the long-term," says Haberer.

Managing partners, for example, can boast an average tenure of 23 years, over the last 200 or so.

Given that a large proportion of the firm's clients in Asia are business owners, or the second generation, they share similar values.

This image of stability also gives clients confidence – not only to buy in to the asset-protection philosophy, but also that the firm will be there to bear the responsibility for the investment strategy it proposes to clients. ■