THE DRIVE YOU DEMAND

IN BRIEF

Q4 2016

Union Bancaire Privée
Dedication, conviction, agility and responsibility lie at the heart of our client relations. These values drive us to develop and refine successful strategies and high-performance investment solutions precisely responding to your wealth-management needs.

Focused wealth manager

Union Bancaire Privée (UBP) was founded in 1969 by Edgar de Picciotto, whose vision from the outset was to offer investors an astute and innovative wealth management service. This approach has been guiding us through the decades, leading us to focus exclusively on one activity we excel at – global wealth management for private and institutional clients.

In forty-five years, not only has the Bank maintained its independence – being fully owned by the de Picciotto family – it has also achieved remarkable growth.

Today, UBP stands among the leaders in the field of wealth management in Switzerland. It continues to expand both in its home market and abroad, consistently stepping up its private banking activities and reinforcing its asset management capabilities. In the last five years, the Bank has acquired the Swiss subsidiary of the ABN AMRO group, the international private banking business of Lloyds, and also Nexar Capital Group, a major player in the alternative investment space. Moreover, having established two successful joint ventures with TransGlobe – a company renowned for its expertise in the Chinese market – the Bank has most recently partnered with a leading asset management team in China to found a new company, UBP Investment Management, in Shanghai.

Solid and well-established

UBP is a major player in Switzerland’s wealth management industry, with a professional workforce of 1,680 people and assets under management of CHF 113.5 billion as at the end of June 2016. Headquartered in Geneva, the Bank is also present in Switzerland’s other economic and financial hubs – Zurich, Basel and Lugano – as well as in twenty-four locations worldwide, enabling it to combine global expertise with local know-how.

The Bank distinguishes itself with its financial robustness thanks to careful risk management and conservative balance sheet oversight. With a Tier 1 ratio of 22.3% – well above the regulatory requirements – UBP ranks among the most strongly capitalised Swiss banks.
Our clients – whether private or institutional – benefit from a high-quality service that is tailored to their particular needs.

UBP’s financial strength enables us to invest in the future and to develop innovative products aimed at creating lasting value for our clients.

UBP’s investment strategy is based on strong convictions. We firmly believe in the advantages of active, performance-generating asset management.

A pioneer in alternative investment since the early 1970s, the Bank has established a range of hedge-fund advisory services and manages numerous alternative funds and personalised mandates.

UBP is recognised for its expertise in traditional and alternative investments, including in the selection of third-party funds. Our areas of excellence include emerging markets and high yield.

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* Of which CHF 7.8 bn is managed by Asset Management on behalf of Private Banking clients.
OUR EXPERTISE & GUIDANCE

Your ambition drives our determination. We will work tirelessly to meet your expectations. It’s a meeting of minds and an alliance of values, and we’re here to prove it.

Our integrated business model enables our teams to consistently bring you sharp analysis and conviction-driven, in-depth guidance. Our goal is clear: adding significant value and long-term performance to your wealth-management strategies.

The Bank, its managers and its funds have regularly received awards from independent research institutes. These awards recognise not only UBP’s drive to innovate, its quest for performance, its agility and its flexibility – all key components that set it apart from the competition – but also its ability to respond to the waves of change that are affecting markets and the industry alike.

Among UBP’s professional partners, over two hundred independent asset managers have chosen us as their bank of reference, valuing our personalised, flexible services and our transparent fee structure.

Asset Management

We have built our reputation on the strength and quality of our investment teams, as well as on the care we apply in selecting our third-party asset managers. We are recognised for our know-how in both traditional and alternative asset management – which enables us to design optimal solutions at every stage of the market cycle – and for our skill in building custom-made investment portfolios.

Our experienced management teams focus on strategic investment themes, a reflection of our drive to create insightful and high-performance strategies, excelling in particular in European equity, convertibles, global fixed income and emerging debt.

The product-innovation process that we have put in place is designed to take advantage of the best opportunities as well as to adapt to regulatory changes. For example, the Bank’s funds that invest in emerging-country debt allow the portfolios’ financial profitability to be optimised once the shareholder equity requirements of Solvency II have been taken into consideration.

U Access, our single-manager alternatives UCITS platform, is another example of solutions specifically designed for investors subject to specific regulations. Through this platform, our clients can access a selection of recognised and high-potential alternative funds across different strategies and regions under the UCITS format, which increases fund liquidity, regulatory oversight, transparency and risk management.

Private Banking

UBP’s relationship managers take both a professional and a personal approach, listening to your needs. Relationships are based on trust, transparency and long-term commitment, allowing our bankers to advise you on the best ways to manage your wealth.

We provide a complete range of private banking products and services including a variety of management mandates and investment advice, suited to your specific requirements, objectives and risk profile. The added value of our services comes largely from the expertise of our specialised teams, in particular that of our excellent equity research team which has consistently chosen stocks that have outperformed the MSCI AC World TR every calendar year since 2005, except for 2014, as well as that of our award-winning wealth planning team which provides guidance so that you can secure, grow and transfer your personal wealth over generations.
From a macroeconomic perspective, UBP’s Global Investment Committee is optimistic about the recovery prospects for the global economy. Judging by leading indicators in Q3, US growth should rebound and momentum remain positive in Q4.

European growth has shown few signs of fallout from the UK referendum over the summer, while Japanese growth still offers a mixed picture, with a weak consumer sector and an uncertain policy backdrop clouding the economy. There is mounting evidence that Chinese and, more broadly, emerging market growth has bottomed out with early signs of policy easing appearing in certain emerging economies.

The political landscape remains unpredictable, with a referendum due in Italy and elections in the US, France and Germany in the coming months, as well as risks related to Portugal also on the rise. While any one or all of these have the potential to bring volatility to the marketplace, in light of the economic momentum we remain sanguine and would view any weakness as an opportunity to capitalise upon rather than as the start of a sustained bear market in risk assets lasting into 2017.

In the US, while valuations remain high, earnings look firm and the risk of disappointment towards year-end seems relatively remote. In contrast in Europe, while economic momentum has stabilised and valuations are more supportive, we are entering a period of political risk, and pressure on the European banking system is building up again. We do not expect this stress to be systemic. However, with the rebound in European equities over the summer, markets have begun to underestimate the potential risks of EU fragmentation. We are therefore maintaining our underweight in European equities.

In emerging markets, after the strong performance in recent months, a pause might be expected, especially given fund managers’ shift from overweight to underweight. In spite of this, we continue to believe emerging equities, in particular in Asia, represent an attractive risk–reward ratio for investors, in light of the valuation gap and of the selective and flexible monetary policies now beginning to be deployed in key emerging markets.

In Japan valuations remain very much intact. While the Bank of Japan’s (BoJ) announcement was important in laying the groundwork for future action, the absence of meaningful measures will not have restored investors’ confidence in the BoJ’s commitment to supporting the economy and asset markets, nor its credibility.

As regards our tactical portfolio positioning, while we might see near-term weakness in equities and/or strength in the Japanese yen, signs of activity from the BoJ (and potentially the Ministry of Finance) in the new year may be a sufficient catalyst for us to reconsider our currently neutral positioning in Japan.

In fixed income, the rise in yields around the world from their summer lows, combined with the compression in corporate spreads, are signalling that the time has come to start managing risk in fixed income more actively. While we do not expect any dramatic surge in yields nor any significant widening in credit spreads, the risk–reward ratio has become more balanced and requires an adjustment to the size of our positions in the asset class.

As a result, we have moved to moderate our exposure to investment-grade credit in favour of inflation-linked, short-duration government bonds. US core inflation continues its rise started in late 2015 as the downward pressure appears to have bottomed out. This normalisation of inflation prospects remains underpriced for 2017 in the inflation-linked bond market, so we see an opportunity to gain exposure there. If our expectation of a gradual recovery in the US economy into 2017 proves correct, this inflation-linked exposure should provide some protection for our broader fixed income allocation.
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Daniel de Picciotto

Vice Chairman
Marcel Rohner
Banker

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Anne Rotman de Picciotto
Board member
Richard Katz
Banker and investment advisor
John Martin Manser
Financial advisor
Former Group Treasurer, Novartis

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