



WEALTH ARABIA

MARCH 2018

# Investing in the Gulf's evolution

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Senior Executive Officer  
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# Contents



## EDITOR'S LETTER

Greetings all,

**W**elcome to the 45<sup>th</sup> issue of *WEALTH Arabia*.

As you will notice, the magazine is slightly heavier than before. While we hope this doesn't throw you off balance, rest assured that there's a good reason for this—*WEALTH Arabia* is now 80 pages, a 60 per cent increase from our historical length. Why? Because we want to give you, our loyal readers, more. More investment analysis. More lifestyle content. And more space to enjoy those things, helping *WEALTH* to become more visual than it was able to be.

There are great things in here—a look at the history of Emirati fashion, warnings of a bubble, and perhaps the world's best investment market in 2018. Where will you begin? That's up to you, but I'm sure that you will enjoy our many interesting voices we've given a platform in this one.

Beyond that, there's still much to explore. I hope you enjoy it. ■

Till next time,

*William Mullally*



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## How long has UBP been present in the Middle East?

UBP has looked after clients from the Middle East over a long period and has had a physical presence in the region for more than 10 years. Starting with a representative office and just five staff, we have expanded through our established Dubai base where a team of over 30 now takes care of clients from across the Gulf Co-operation Council (GCC) area. In addition, we also reach out to individual investors and families across the Eastern Mediterranean recognising the strong and enduring links between the Gulf states and their near neighbours. With personal service at the heart of what we do, we make it our business to meet regularly with clients to share our expertise and help them both to protect and grow their wealth.

### What sets UBP apart from its competitors in the region?

Our family ownership represents a fundamental difference between us and our competitors. Being owned by the same family from the bank's beginnings sets the tone for everything we do. When we talk about 'family values' at UBP, that actually means something and profoundly shapes the way we do business. I would sum up our core principles as being based around an absolute commitment to the highest quality of client service. Our objective is always to build, deepen and strengthen relationships for the long term. That means taking all the time necessary to understand clients' priorities for the protection and growth of their wealth. Every individual and family has distinct needs making it essential always to dig just a little bit deeper to explore what these are and how they can shape an effective investment strategy. Time and effort has to go into making a detailed assessment of client attitudes towards risk as well as identifying an asset allocation approach designed to match and then deliver on their specific expectations. >>

# Investing in the Gulf's evolution

**Mohamed Abdellatif**, Senior Executive Officer, Head of UBP Middle East, Union Bancaire Privée (Middle East) Ltd, speaks to *WEALTH Arabia* about its commitment to the region



**Mohamed Abdellatif**, Senior Executive Officer,  
Head of UBP Middle East, Union Bancaire Privée  
(Middle East) Ltd.

► **To what extent does family ownership actually make a difference at UBP?**

One of the biggest positive factors is that we can draw advantage from our bank's flat structure with its strictly-limited level of bureaucracy. This allows us to take a pragmatic approach and be agile and responsive to our clients. Senior bankers have the freedom to make their informed decisions promptly so delivering an exemplary level of service. With no external shareholders to satisfy, we are much more able to 'take a view' and then to hold it with conviction.

In addition, we are ready and able to bring fresh products to market in a timely and efficient way. With increasingly complicated investor needs, we place great emphasis on being proactive and not reactive. As part of this approach, we have our own wide range of funds and also have the capacity to launch new funds rapidly so that our clients can have the benefit of capturing and exploiting evolving themes and ideas. In today's low interest rate environment, we understand just how important high yield is to so many of the clients we serve from Dubai. Of course, we always work to balance this requirement with an appropriate level of risk.

“**Clients need to have the means of understanding whether risks relate to the broader market or to illiquidity. That is what drives the ultimate investment decision and we have the resources in place to support an informed view.**”

Mohamed Abdellatif

We recognise that there is a serious and growing demand for investment products where clients can see a clear, physical asset underpinning the returns which they demand. That is why our Direct Investment Group (DIG) has turned out to be especially popular. It focuses on the provision of investment opportunities which would normally be the preserve of institutional investors in areas ranging from real estate (including retail, public housing and student accommodation) to commercial aviation, new technology, commodities and renewables. By making real assets a part of a client's portfolio, DIG makes it possible to widen the scope of asset allocation beyond the more traditional investments.

**What are the bank's key offerings to clients?**

Our Advisory Service has grown significantly and has done so in response to clear client demand for a direct involvement in the decisions which help to shape their wealth as they manage it for current and future generations. We have made a serious commitment to the advisory side of our business and have four dedicated advisors based here in Dubai. It is important to have such investment specialists available for clients on the ground. Drawing on our extensive research and conviction-based views, a pivotal part of their role is to gain a complete understanding of what motivates the client and the factors which shape their investment objectives. We follow a comprehensive procedure to assess attitudes towards risk and then match this against our broad suite of products. It's a highly individual way of doing business and the advice offered is always specific to the client and never 'off the shelf'.

As part of our broad expertise and comprehensive range of investments, we have a particular expertise in the Fixed Income space which is of particular value to clients in our region. In understanding Fixed Income, we follow a top-down, Macro-driven view supported by the resources of an expert team. Applying

our coherent ideas and a disciplined approach has led to serious growth in AuM across the Fixed Income space.

We also offer clients our depth of knowledge in equity research through a highly selective approach to determine our recommended list of equities which can be matched to an individual client or translated into our in-house fund offering.

Furthermore, for clients who do not wish to have an active involvement in the ►►





Mohamed Abdellatif

management of their investments, we offer a dedicated Discretionary Service run out of Switzerland. A team of experts makes the balanced asset allocations on behalf of clients while always keeping their risk outlook firmly in mind.

**How would you describe the landscape for private banking in Dubai and the wider economy across the region? How has it changed in recent years?**

A simple glance outwards and upwards at the skyline quickly tells you how much Dubai has changed in recent years. The pace of development is incredible and it is a dynamic place to be. Compared with 30 years ago, the transformation seems total. However, I believe that there is still much more to come and UBP wants to play an active role in this fast-developing landscape. We are here for the long term and intend to grow our business and add value to an expanding

client base. It is clearly a competitive environment with many private banks setting up in the region and actively seeking to build their businesses.

At UBP, we are determined to draw on our history, heritage and expertise to present compelling reasons for people to choose us. We do not underestimate the challenge but have confidence in our ability to deliver consistency of performance as we take care of our clients' wealth. >>



Mohamed Abdellatif



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- Inward investment across the region tells its own story but there are also signs of broader changes taking place. The rapid growth in tourism is just one factor while the real estate sector shares this upward trajectory. There appears to be scope for additional investment from emerging markets and this is a development which we monitor with close attention. Add this to early indications of reform in the region and it is an interesting mix with the potential to provide investment opportunities within the region itself. For this region, reform and liberalisation seem set to be more of an evolution than a rapid transformation.

#### **How have the needs of HNWI and UHNWI individuals evolved in the region?**

Clients have become increasingly more sophisticated in our market. Given that they trust us to advise on and manage the wealth that they have created or inherited, they are right to demand a higher level of service from us. Although it is now ten years since the global financial crisis, many investors still carry the scars from that traumatic period. They are acutely aware of risk and expect complete transparency around the investment products and services that we present to them. Our culture at UBP has always been one of keeping clients closely informed as they weigh up their investment options. It is simply not satisfactory to 'bury' risk within microscopic terms and conditions; clients correctly demand openness. Many are still prepared to live with a higher level of risk but need to know explicitly just what that risk is.

There has been something of a move among UHNWI towards seeking high yield and we are well-placed to meet this.

#### **What are the main challenges that the private banking sector faces across the GCC?**

The competitive environment in this region makes it essential to keep ahead of other providers through a differentiated product and service offering. We also have to anticipate and respond to a changing and often complex regulatory >>

## UBP KEY FIGURES

As at 31.12.1017

### ASSETS UNDER MANAGEMENT



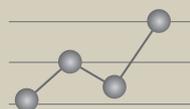
CHF **125.3**<sup>BN</sup>

### BALANCE SHEET TOTAL



CHF **32**<sup>BN</sup>

### NET PROFIT



CHF **220**<sup>MN</sup>

### HEADCOUNT



**1,697**

### TIER 1 RATIO



**27.5%**

### SHAREHOLDER'S EQUITY



CHF **2.2**<sup>MN</sup>

Source: UBP

- ▶ environment with MiFID II and the Common Reporting Standard taking effect. At UBP, compliance is never a tick box activity; it is an essential part of the responsibility that goes with managing clients' money.

**Can you tell me just a little about the steps taken by UBP to evaluate and respond to individual client's circumstances?**

You have to start off by recognising that no two clients are the same. In addition, many clients already have considerable experience of other private banks and are in no sense 'new to the game'. Some arrive at our door with clear perceptions of the sort of products and services they want while others are actively seeking our detailed help, assistance and ideas.

Our role is to set out our convictions, listen and learn from our clients and only then outline how we can apply solutions to each individual set of circumstances.

In addition, we must be frank with our advice and perform a role that may involve clear guidance that a client may not expect. There have been instances where it has been necessary to prompt the client to think about the extent of the risk present in their investment portfolios.

**What investments are your clients most interested in?**

The search for yield does tend to dominate investment meetings with clients. It is an area where we have the expertise but also one where it is necessary to ask «what kind of yield?». We know only too well that chasing the highest yield can often end badly. As we do with our Direct Investment Group, we have to set out the risks in a transparent way. Clients need to have the means of understanding whether risks relate to the broader market or to illiquidity. That is what drives the ultimate investment decision and we have the resources in place to support an informed view.

Over time, however, we are finding growing interest in both our advisory and discretionary offerings as well as in our family office services.

**How do you perceive the investment outlook for 2018?**

On the whole, we are optimistic about the prospects for 2018 as we enter a period of synchronised global growth. We see the potential for continued economic and earnings recovery and the lack of any recessionary indicators supports this conviction view. As central banks ease back on and move to withdraw quantitative easing, markets can only move on their own merits as the artificial stimulus begins to recede.

We see positive opportunities in the emerging market space but also recognise the need for careful selectivity in different asset classes where some valuations show signs of reaching a peak. Equity investment decisions will need the application of serious selectivity to ensure that investors do not overpay.

It will be worthwhile paying close attention to the earnings season to check if actual results match market expectations. This backdrop tends to make us favour a non-US approach to equities and we have identified particular scope for Japanese corporates.

In the fixed income universe, we have a preference for corporate credit over government debt.

**Do you see scope for further expansion in the region? How will you go about attracting the talent you need and what factors make senior bankers consider a career with UBP?**

As this region grows in economic importance we see huge potential to expand our business. That means having the right people in our team, namely those best-placed to support our clients as effectively as possible. We follow a highly-selective approach in recruiting our bankers with many, in fact, coming to us because they can see the rewards associated with working for UBP. A number of recruits identify with our core value of client service and our clear investment conviction.

In addition, we make our own targeted efforts to strengthen our group of specialists by recruiting those





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likely to help our business to continue its expansion.

**What have been the main lessons you have learned about how to take care of HNWI and UHNWI in your years of private banking?**

Our clients expect both service and performance and we have to deliver that on a consistent basis. That means keeping up the levels of client engagement and being on hand to offer help and support. At its heart, it is a relationship and that needs effort to make it work and to make sure it lasts. By being judicious with the advice offered and looking at the facts and conviction which support that advice you can ensure that the client feels you are on their side. Matching that level of personal involvement with close attention to suitability and client risk profiles creates a backdrop of trust—the foundation for a successful private banking relationship.

**How does UBP differentiate itself from all the other Swiss private banks operating in the GCC?**

Family ownership really matters at UBP and governs the way our bank operates. We are not restrained by share price performance and can confidently concentrate on our clients and meeting their needs. We have the freedom and the capacity to innovate so that our private banking services are relevant and beneficial for the clients we seek to serve.

In addition to the individual service we provide on a day-to-day basis, our Tier 1 ratio of 27.5 per cent as at end 2017 is a key measure of our strength and represents the sustainable growth strategy which we have pursued over many years. Although not a listed company, we do still publish our full results which underline our stability and highlight the extent to which we are committed to managing a significant level of private client and institutional investment.

We want to build client relationships that last over generations and have a real commitment to growing our client base in the GCC. ■