

Imbalance in the state of the M&A Scene of Swiss Independent Asset Management Industry

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Taking a global view of the wealth management industry based in Switzerland, a short series of thought papers will be submitted to the group.

The first of these is a summary review of the supply – demand M&A landscape of the independent asset managers (IAM) and the factors influencing such scene.

First let us define the industry in broad terms: there are several thousand, mostly niche to medium sized, each handling and or advising assets under management of under one billion Swiss francs. Many of them are using external custodians and third-party fund managers and tend to focus on advising their end clients on investment strategy and fund/asset allocation. They maintain their client relationships are strong and longstanding.

The whole industry or most players in it have been enjoying reasonable revenues and margins in the recent years owing to still relatively favourable and highly priced asset and securities markets, thus there is no pressure on most of them to sell, merge or consolidate.

Nevertheless, they face the ever-increasing costs and burdens of compliance regulations and technological issues, even though they may manage to handle these one way or another.

A recent direct *strategy survey* of several dozen such firms located all over Switzerland produced interesting feedback which can be summarised, in general terms, as follows:

Lack of Growth:

Most stated they are challenged to find suitable growth either from existing clients but especially from new clients and markets.

Desires to Acquire:

Most stated they wish to leverage their "platforms or infrastructure" and acquire one or some of their peers since "their peers must be having challenges".

Unique Proposition:

Most stated their investment strategy or investment philosophy was quite special and unique and they were "different".

Initial Conclusions:

With such opinions being expressed by a large membership of the industry, it clearly reflects an imbalanced M&A market in favour of potential sellers given that:

- most want to buy others
- most believe the industry should consolidate
- most believe they are in a strong position to be a consolidator
- most deny or avoid admitting they are potential sellers

In the next of this series of papers on this industry we shall examine the primary characteristics impacting the success/failure of potential M&A activity in this sector.

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