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Switzerland – A strong hub for investment management

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Overview

- Introduction and overview
- Key insights from the study
- International perspective
- Implications
- Q&A

Introduction and overview

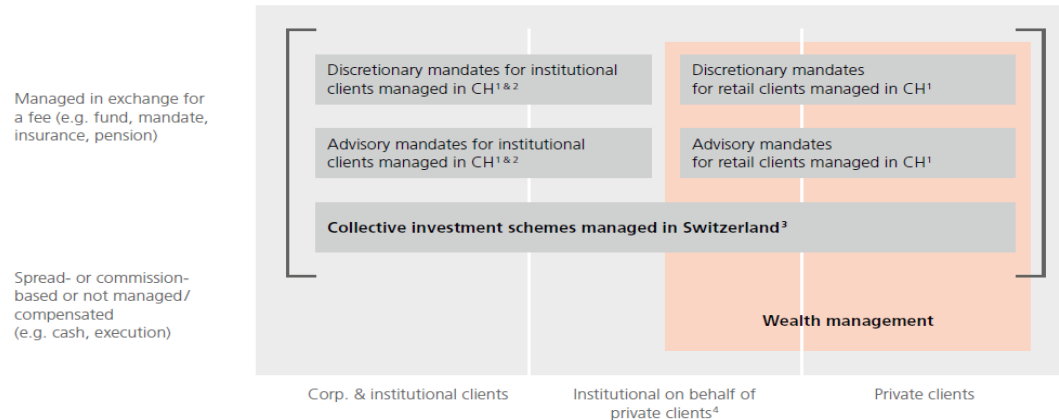
August Benz

Insights from the new study

- Switzerland is a strong investment hub with a diverse investment management community.
- The symbiosis between institutional and non-institutional investment management in Switzerland is unique globally.
- Swiss investment management is locally important and globally competitive.
- Switzerland is an attractive business location for investment management, but level playing field is a prerequisite for success.



The SBA and BCG study focusses on investment management as opposed to sales of financial products and services in Switzerland



- 1 Assets differentiated by end client can be split into retail and institutional assets.
- 2 Insurance and pension if not unit-linked; corporate/ government pension provisions.
- 3 Assets managed from a production perspective (i.e. bank, fund manager etc.) can frequently not be allocated to institutional or retail clients.
- 4 Refers to high net worth and ultra high net worth Individuals who are serviced by asset management directly as opposed of through wealth management.

Sources: BCG Global Wealth Management Report; BCG Global Asset Management Report

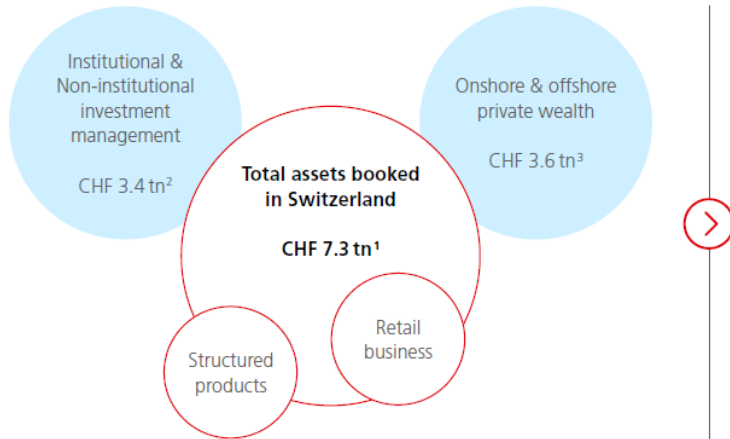


Investment management has key functions in financial markets



Sources: SBA and BCG

The symbiotic and interlinked nature of Swiss finance provides material benefits for clients



- The interlinked nature of Swiss finance means that cumulatively more than CHF 7.3tn is taken care of
 - Switzerland offers clients the complete value chain of services from retail banking to investment & merchant banking to pension fund solutions
 - Interlinked nature of finance businesses differentiates Switzerland as a finance hub
 - Mutual benefits of symbiotic relationship: shared infrastructure and innovation

1 Includes holdings of securities in bank custody accounts (CHF 6.3 tn), fiduciary liabilities (CHF 138 bn) and liabilities to customers (CHF 898 bn)

2 Assets managed in Switzerland for Swiss and foreign contracting clients

3 Total onshore and offshore private wealth in Switzerland is CHF 3.6 tn of which CHF 0.4 tn is onshore retail banking



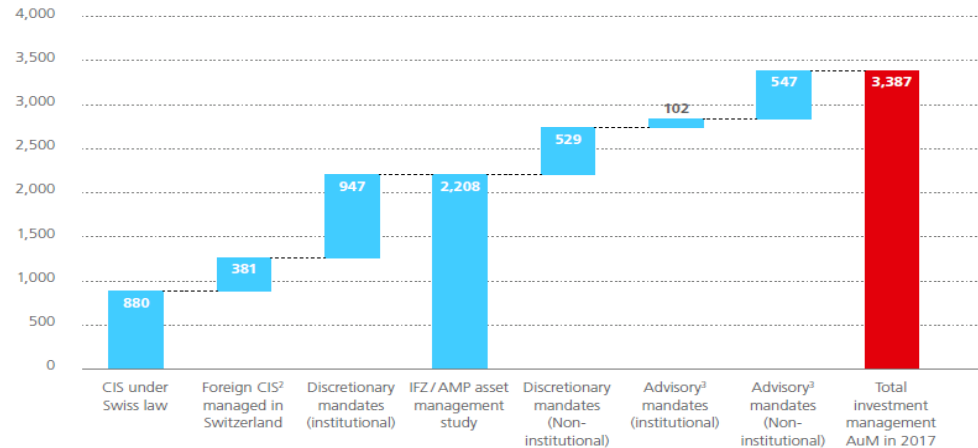
Key insights

Hans-Ruedi Mosberger



CHF 3.4 tn of assets were managed by investment management in Switzerland in 2017¹

In CHF bn



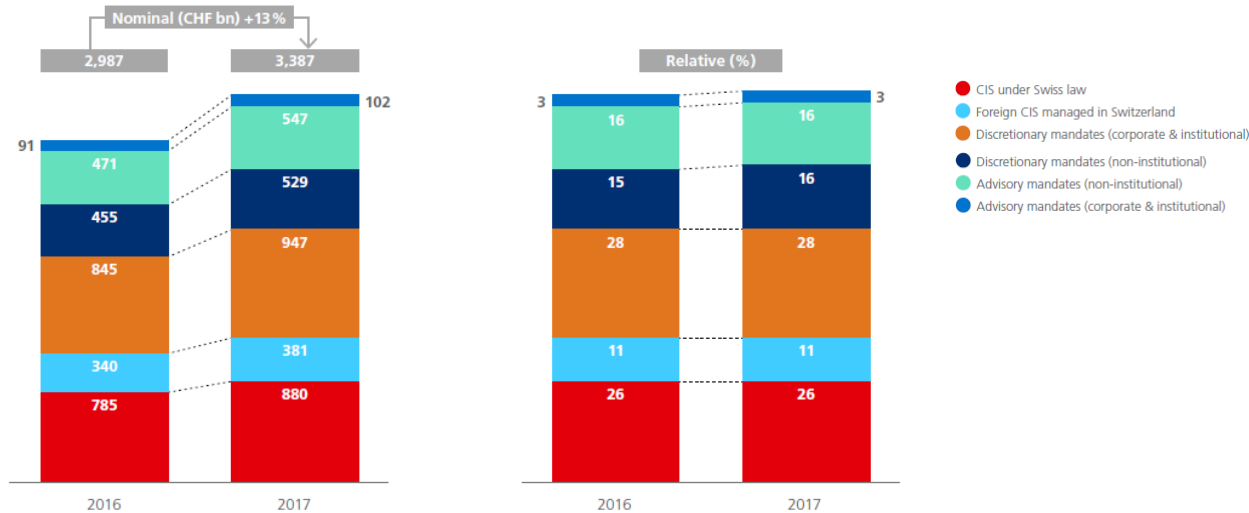
1 Institutional and non-institutional discretionary mandates
 2 Estimates for Foreign CIS managed in Switzerland are considered to be at the lower end of estimates
 3 Advisory mandates exclude cash and self-directed portfolios and reflect only pure mandate business

Sources: SBA; Swiss Fund & Asset Management Association; BCG Global Asset Management Benchmarking 2018; BCG Wealth Management Report Benchmarking 2018; BCG analysis



Total AuM in Switzerland grew by 13% between 2016 and 2017

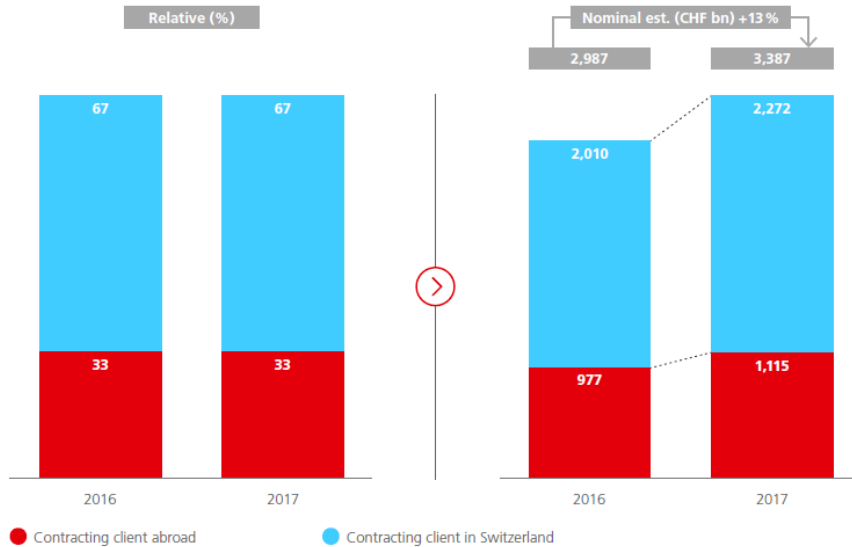
In CHF bn



Sources: SBA, Swiss Fund & Asset Management Association; BCG Global Asset Management Benchmarking 2018; BCG Wealth Management Report Benchmarking 2018; BCG analysis



One third of assets in Switzerland is managed for clients contracting abroad

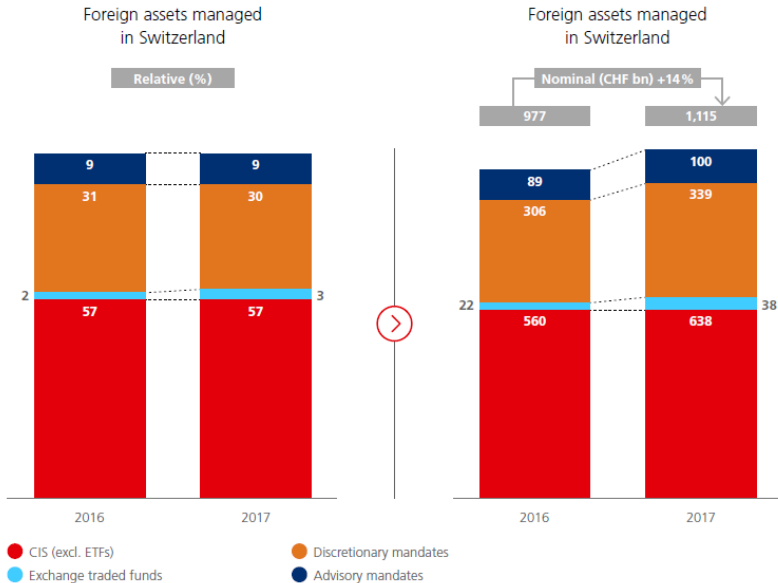


Note: Graphic represents both institutional and non-institutional clients; nominal estimate is based on relative percentages and total estimated assets managed in Swiss asset management.

Sources: SBA; Swiss Funds & Asset Management Association; BCG Global Asset Management Benchmarking 2018; BCG Wealth Management Report Benchmarking 2018; BCG analysis



Collective Investment Schemes are driving export by Swiss investment managers



About 60 percent of foreign assets were managed in collective investment schemes & ETFs in 2017.

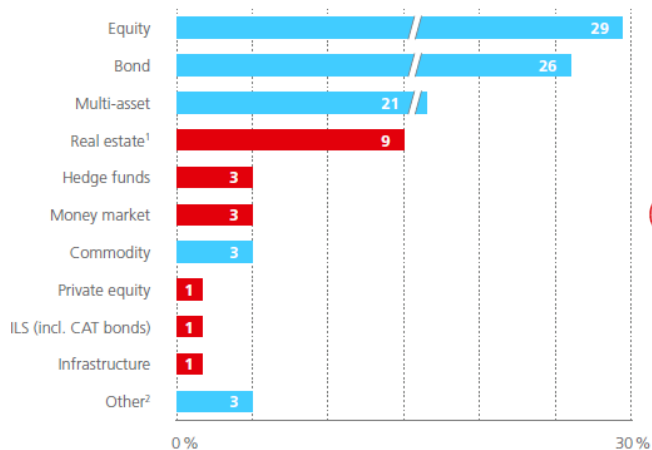
Note: Exchange traded funds are defined as a type of collective investment schemes; nominal estimate is based on relative percentages and total estimated assets managed in Swiss asset management.

Sources: SBA; Swiss Fund & Asset Management Association; BCG Global Asset Management Benchmarking 2018; BCG Wealth Management Report Benchmarking 2018; BCG analysis



Swiss investment management has clear strengths in alternative asset classes

In percent



- Traditional asset classes continue to dominate asset allocation in Swiss investment management
- About 18% of assets managed in Switzerland were allocated to alternative asset classes in 2017
 - The real estate asset class is the largest alternative asset class in Swiss Investment Management due to allocation to Swiss pension funds
 - Private debt and equity assets in Swiss investment management remain low but are likely to increase as firms access private capital for financing purposes

1 Real estate considered alternative asset class

2. Other may include alternative asset classes

Sources: SBA; Swiss Fund & Asset Management Association; BCG Analysis

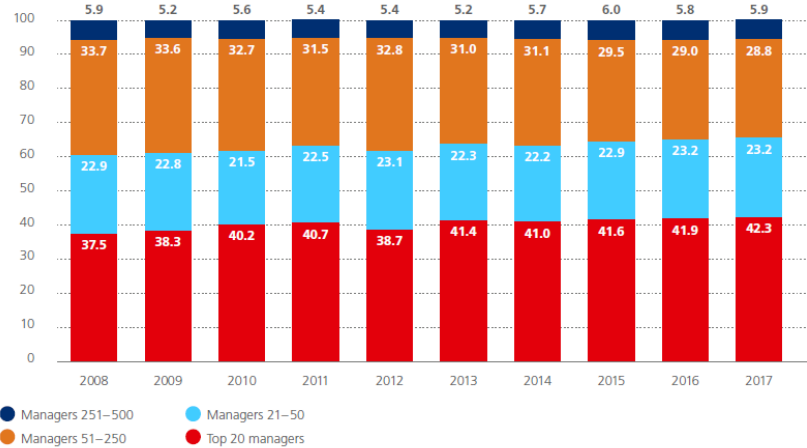
The international perspective

Daniel Kessler



The Swiss Investment Management market is highly consolidated

In percent



Globally 42.3%¹ of funds were distributed by the top 20 investment managers versus 80%² distributed by the top 20 managers in Switzerland.



Note: WillisTowersWatson estimated that USD 81.2 t was managed by the top 500 asset managers globally in 2016.

¹ 42.3 % managed by top 20 asset managers globally in 2016

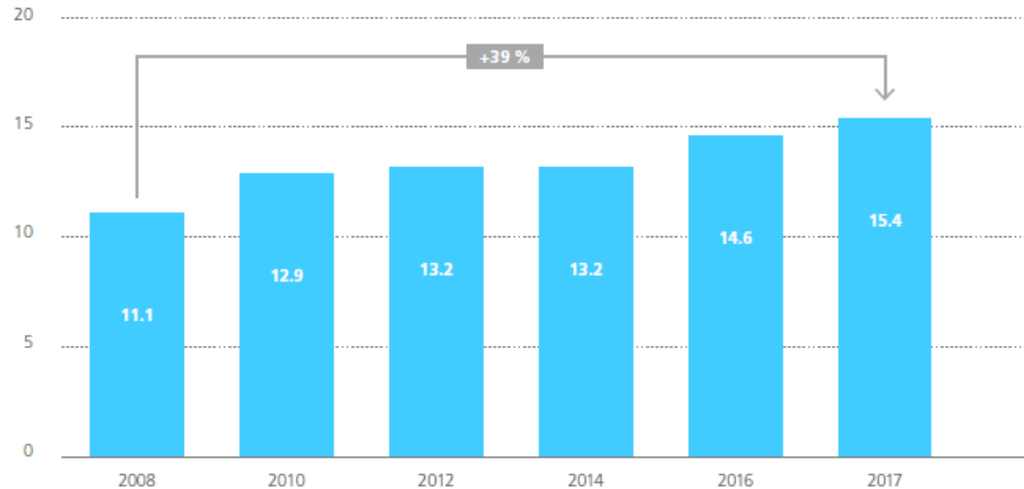
² 80 % managed by top 20 managers in Switzerland in 2017

Sources: WillisTowersWatson; Swiss Funds Data; BCG analysis



The investment management market in Switzerland is increasingly international

In percent



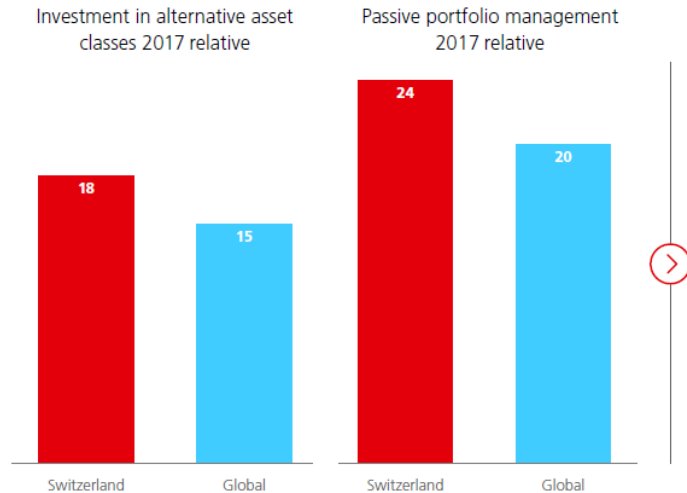
Note: The AuM managed by foreign investment managers in top 20 as a percentage of AuM managed by top 20 grew by 39 percent between 2008 and 2017.

Sources: Swiss Funds Data; BCG analysis



From a global perspective, Switzerland is a hub for innovation in investment management

In percent



Swiss investment management allocates more assets to passive and alternative assets than the global average

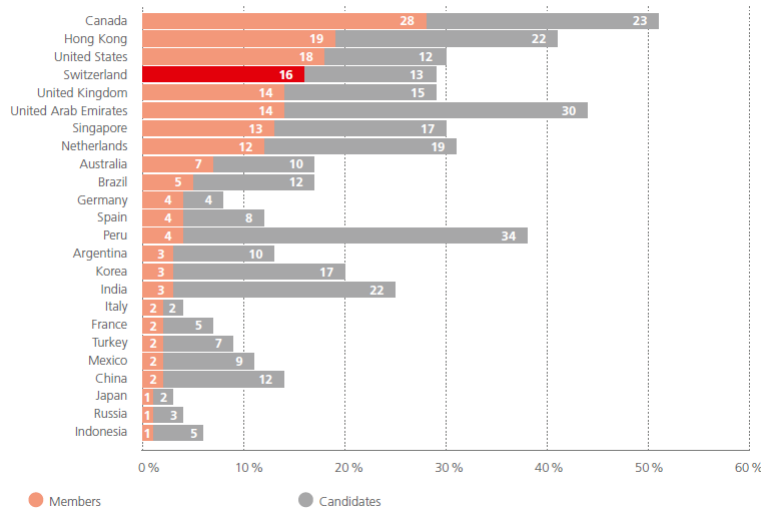
Note: Alternatives includes private equity, hedge funds, real estate, Insurance Linked Securities (including catastrophe bonds), investments in commodities and infrastructure; graphics represent the production and not the distribution of assets in Switzerland in 2017.

Sources: SBA; Swiss Fund & Asset Management Association; BCG Global Asset Management Benchmarking 2018; BCG Trends in Asset Management (2018); BCG analysis



The Swiss investment management industry has strong investment expertise

In percent

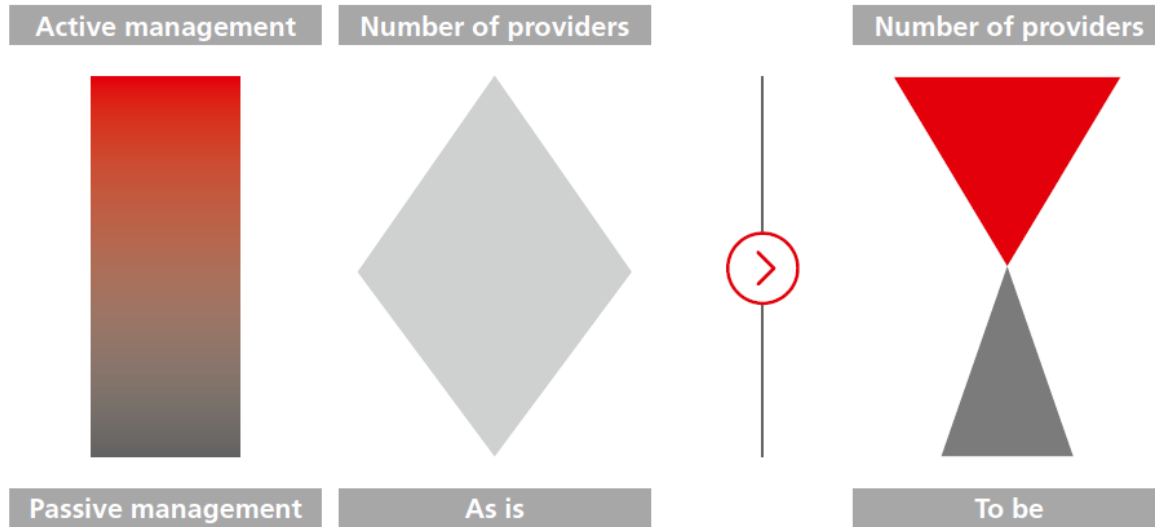


CFA charterholder market penetration in core functions of investment management show that Swiss investment management is the fourth market in CFA charterholder penetration globally and the leader in Europe

Note: Swiss investment management is the fourth market in CFA charterholder penetration globally and the leader in Europe.

Source: CFA Institute 2016

Overall, investment management to become increasingly polarized as margin pressure builds



Note: Anecdotal evidence based on expert interviews with leaders in the Swiss investment management industry; smaller number but higher asset volume of the passive product providers illustrated by narrower bottom section.

Source: SBA

Implications August Benz



What does it need to ensure the success of the industry going forward

- **Provide unrestricted access to European institutional clients** – export is essential for Swiss investment management
- **Incentivise the repatriation of assets** – the elimination of stamp duty and reduction of withholding tax in Switzerland would not only increase the efficiency of the Swiss investment management industry but also make Swiss investment managers more competitive vis-à-vis international competitors
- **Switzerland as a strategic location** – Switzerland should be marketed as a strategic location for investment managers and not just as a sales location
- **Sustainability** – the Paris climate accord set the tone for climate change targets; investment management clients are increasingly applying pressure on investment managers to provide sustainable investments



To repeat, these are the key insights from the new study

- Switzerland is a strong investment hub with a diverse investment management community
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Vielen Dank!