

Strength in numbers

UBS's wealth management team had another stellar year despite the Covid crisis – and once again the Swiss lender takes the top spot in Euromoney's private banking survey

By: Elliot Wilson

The more things change, the more they stay the same. In the toughest of years, marked by a global pandemic and a global economic crisis, UBS's wealth management business has marched steadily on, seemingly impervious to external stress.

In our latest private banking and wealth management survey UBS Global Wealth Management (GWM) is voted the world's best wealth manager, receiving 2,114 votes from senior private banking professionals around the world.

The Swiss lender won the accolade last year and the one before, and for 11 of the 15 years before that. It topped the rankings in Asia and western Europe and locally in Hong Kong, Singapore, Germany and Switzerland.

In purely financial terms, Covid failed to dampen its spirits. Profits rose 37.4% year on year in the first nine months of 2020 to \$4.92 billion.

It posted its best third-quarter performance in a decade, with profits doubling to \$2.1 billion.

Pre-tax profit in its GWM division was \$1.06 billion in the third quarter, up 18% year on year, driven by stronger activity in Asia and the Americas.

The private banking awards keep coming. In 2020, Euromoney named the bank the world's best for wealth management and handed it regional gongs in North America, western Europe and the Middle East.

So, what does it get right, year after year? Size matters. It is the world's largest wealth manager, overseeing \$980 billion in invested assets.

The Zurich-based bank calls itself the "only truly global wealth manager". The likes of Credit Suisse, Citi and HSBC may protest, but its bench strength – UBS is present in 22 markets, offering financial advice and solutions to private clients – is unmatched.

"Wealth management is not just one thing UBS offers: it is who we are," says Tom Naratil, co-president of GWM and president of the Americas. "It is the core of our DNA.

"Our clients trust us because we take the time to understand not just their financial needs, but what really matters to them in life," he adds. "We then match those needs and goals with outstanding thought leadership, a unique investment shelf, unmatched global access and the best talent in the industry."

He describes the GWM division as "the number-one wealth management

franchise in the world" boasting "the best talent... and the most respected brand".

What it certainly does well is to engage in a process of almost constant internal evolution. It thinks hard before it makes tough decisions – and then sticks with them.

Wealth management began its journey back to the heart of the Swiss institution in 2011. Sergio Ermotti, then newly appointed as chief executive, told investors and staff he would slash risk by exiting

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and downsizing underperforming businesses.

By contrast, he said, UBS would “continue to invest in products and geographies” that offered outsized opportunities. He singled out wealth management.

Ermotti is gone, replaced in November 2020 by former ING chief Ralph Hamers, but the decisions he made a decade ago still reverberate.

There is little doubt that Ermotti was correct in his assertion. Wealth management has only grown in importance since then.

It is a godsend for global lenders thanks to its healthy profit margins, capital-efficient business model and relatively high barrier to entry.

Of course, no plan is carved in stone, and UBS continues to fine-tune its strategy.

In January 2020, it expanded its global family office division to boost its focus on ultra-high net-worth (UHNW) clients with institution-like needs in global coverage, corporate solutions and bespoke investments and financing.

Global family office revenues across GWM and investment banking rose 27% year on year through the first three quarters.

UBS continues to team up with domestic banks in order to boost local income streams.

A tie-up with Switzerland’s Partners Group, signed in October 2020 with the aim of matching ultra-wealthy clients with private equity deals, followed earlier alliances with Japan’s Sumitomo Mitsui and Banco do Brasil.

Despite the stresses of the pandemic, UBS continues to mould its wealth model to make it more efficient. It split the EMEA region to create three discrete business units – Europe, central and eastern Europe, and the Middle East and Africa – to better capture local opportunities.

From June 2020, it expanded its separately managed account offering with no additional management fees – a collaboration between GWM and asset management – to clients of UBS Wealth Management USA.

The bank says the move added \$8 billion in net new money in the third quarter of the year, taking the total to \$35 billion since inception.

Then there’s environmental, social and governance. In September, the bank said it would recommend sustainable investments to clients over traditional investments.

This was a clear sign that sustainability is now the mainstream. UBS reckons its 100% sustainable investing portfolio was its top performing mandate in 2020.

Last year was a busy one for the wealth team in other ways. Its new Welcome app helped identify new clients and bring them into the fold.

It also ran 120 streaming events, watched by 135,000 clients, with



Tom Naratil and Iqbal Khan. The GWM division is “the number-one wealth management franchise in the world,” says Naratil. “We’re doing the right things,” says Khan.

its ElectionWatch series in the run up to November’s US election a particular hit.

UBS reckons tens of thousands of customers watched the fortnightly virtual sessions, with more than 100,000 people logging on to participate in its 2021 Greater China Conference.

“Livestreams have proven to be a great channel to communicate with clients, even in regions where the lockdown has been lifted,” says Naratil.

All things considered, 2020 was a pretty good year for the wealth management firm. Volatile market conditions – wild price swings, a clamour for yield and a flight to quality – all worked in its favour.

What lies ahead? In broad terms, UBS will continue to do what it does well: delivering complex services to global clients.

“Client satisfaction with UBS in one of the most difficult years in living memory went up eight percentage points, with 89% very or extremely satisfied,” says Iqbal Khan, co-president of GWM and president EMEA. “That tells us we’re doing the right things.”

The Swiss bank entered 2021 with a positive outlook on stocks and hopes for a strong recovery underpinned

by robust markets and loose monetary policy – while keeping an eye on the pace of vaccine rollouts and potential threats from virus mutations and inflation.

“For the investment markets, the rate of recovery from the pandemic and how we adapt to a world of very high levels of fiscal and monetary stimulus will be most crucial,” says Mark Haefele, GWM chief investment officer.

One thing is for sure, UBS and its industry-leading wealth management team will find a way to make the conditions work for it and its private clients.

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