

Philipp Hildebrand: Thoughts on asset management in Switzerland

Summary of a speech by Mr Philipp Hildebrand, Member of the Governing Board of the Swiss National Bank, at the Swiss Funds Association, Berne, 28 March 2006.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch)

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Summary

Asset management is an important source of earnings for banks in Switzerland. The financial industry, in turn, is the largest sector in the Swiss economy and of crucial importance for economic development. Assuming that the world economy stays on its expansionary course, global assets will continue to grow strongly. Moreover, the rapid increase in the volume of accessible information means that clients are often better informed. It is also giving rise to a broader product range and generating tougher competition and cost pressure amongst providers.

These trends will bring about far-reaching changes in asset management over the medium term. Money market, equity and bond investments managed on a moderately active basis often fail to pay the consistently above-average yield that would warrant their costs. They will probably lose ground to passively managed, inexpensive products. Substantially better performance will be essential for the traditional products that remain. Alternative investments, too, will benefit from the structural changes. However, this area will continue to be affected by the limited supply of exceptional portfolio management expertise.

Asset management in Switzerland compares fairly well on an international scale in terms of performance and operational efficiency. However, the industry must lose no time in tackling the restructuring that is needed, particularly in the traditional segments. In the area of alternative products, Switzerland has admittedly been successful in the fund of funds business. It is to be hoped that its financial industry will build on this success and become even more of a centre of excellence for alternative investments too.