

Old Swiss house takes modern view

Wegelin & Co is the free-thinker among the old-guard Swiss private banks. It doesn't believe in the Swiss tradition of being discreet and it is not afraid to embrace contrary views in order to make a difference in a competitive market, partner Konrad Hummler tells **Rodrigo Amaral**

Wegelin & Co likes to boast that it is the oldest bank in Switzerland. At the same time, though, the St Gallen-based private bank doesn't rely solely on its more than 265-year tradition to remain a player in the increasingly competitive Swiss wealth management market.

In 2006, Wegelin posted a 30 percent growth in assets under management (AuM) to CHF17 billion (\$14 billion). These upbeat results have been attributed to a large extent to the use of state-of-the-art portfolio modelling theories such as the WegeLEAN system, which the bank claims offers private clients the same strategies employed by institutional investors.

The positive performance has also been achieved despite a tendency by Wegelin to swim against the tide. Wegelin says it has no intention of keeping a low profile, unlike many of its peers. At the same time, it has no particular desire – again, unlike many of its peers – to expand in global markets or to become involved in mergers or acquisitions, trends that have become widespread in private banking markets around the world.

“As a small bank, if you want to grow, you need to have a contrary view. If you just follow the masses, it gets very difficult,” said Konrad Hummler, a Wegelin partner and one of the most influential names in the private banking business in Switzerland, in an interview with *PBI*.

UBS high flyer

Hummler is certainly no stranger to controversy. A former UBS high flyer who spent most of the 1980s as a close aid to then-CEO Robert Holzach, he enjoys the reputation of being a plain-talker who doesn't think twice before speaking his mind. Some years ago, for instance, he famously left a meeting of the Swiss Bank Association in a rage, claiming that he didn't want to waste his time defending the interests of UBS and Credit Suisse.

Hummler arrived at Wegelin in 1991 and promptly pushed for the adoption of modern financial and portfolio management techniques, which resulted in the bank taking a leading role in the development of structured products in Switzerland. In the years that fol-

lowed, he and his colleague Otto Bruderer, a 1994 arrival, led a management buyout in which a number of young bankers, now in their 40s or 50s, got top jobs at the bank. This means the current average age of staff members is a youthful 35.

“As a result, we are not really a traditional family-oriented private bank,” Hummler, who is 54, said. One of the characteristics that set Wegelin apart from its peers is the rejection of the mantra that private banks should be discreet at all costs. A high profile – of the right sort – is seen as a good thing and Hummler and his colleagues are always keen to make their opinions public.

“We are fiercely independent and we don't see any reason why we should merge with anyone”

Konrad Hummler, Wegelin & Co

Hummler himself writes a periodic investment comment read by a select group of well-informed people that is rumoured to include former US national security adviser Henry Kissinger. “We have our tradition, we speak of it, we think it is wonderful. But on the other side we are growth-oriented wealth managers. We want to grow and come up with new products, so we cannot be discreet,” Hummler said.

The rejuvenation process has apparently paid off: AuM growth rates have been higher than 25 percent in the last few years. After spending more than 250 years confined to its St Gallen base, Wegelin has opened new branches in Basle, Schaffhausen, Lausanne, Bern and Lugano. The expansion will continue with the inauguration of a Geneva office this year.

However, Wegelin won't make a fashionable push into the new wealth markets of Asia or Eastern Europe. “We have a feeling that opportunities in Switzerland are actually fine enough for us. Regulatory risk is much bigger than any kind of market risk, and we don't think that keeping a presence in several

regulatory environments is the best idea for diversification. It is better to bank in Singapore with a Singaporean bank and in Switzerland with a Swiss bank and in America with American banks,” Hummler asserted.

Which doesn't mean that Wegelin wants to be a Swiss-only club for onshore banking. One of the aims of the Geneva office is to cater for international clients who want to keep their assets in Switzerland.

No taste for merger

Mergers are not an option either, according to Hummler. He recognises the clear trend of small banks being swallowed by bigger ones or merging with others of similar size to keep predators off, but refuses to foresee Wegelin getting into a deal like that.

“We are fiercely independent and we don't see any reason why we should merge with anyone,” he remarked, subscribing to the idea that, in wealth management, economies of scale are not always the right course and quick-moving small companies have distinct advantages over big ones.

“If you think of wealth management at UBS, if they have a ‘buy’ recommendation for Nestle, will UBS ever be able to say that they now want to sell Nestle? Not any more, because the market would react in a way that would be absolutely catastrophic to their clients. So they are actually caught in their own mess,” he asserted.

“If Wegelin says Nestle is fine, but now we want to sell and buy Unilever, nothing happens. We can create alpha by being independent.”

Defecting staff

One of the shortcomings of being small, of course, is to live under the perennial threat of seeing the brightest staff end up on a rival's payroll.

Wegelin reckons that the best way to prevent this is to make employees participants in its results, turning them into shareholders.

“We are the only Swiss private bank that has a programme to let staff participate in our equity, and this is of course very special. But let's cross our fingers anyway,” this pragmatic Swiss banker concluded. ■