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SWISS ASSET MANAGEMENT STUDY

SWISS ASSET MANAGEMENT: ON OR NEXT TO THE WINNER'S PODIUM?



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PREFACE

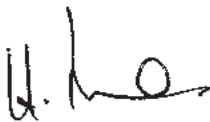
Dear readers,

the last years have been without doubt very challenging for the Swiss financial services industry, which has been hit by the financial crisis and a subsequent regulatory tsunami. In addition, it has been affected by the turbulences associated with its 'white money' strategy affecting private banking accounts and portfolios due to increasing pressure from surrounding and transatlantic (competing) countries on investors who had chosen Switzerland not only because of its excellence in banking, but also for its traditional discretion.

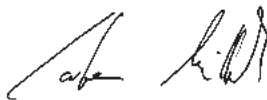
In this context, some hope is placed on asset management as a "savior" of the financial services industry within Switzerland. As the Swiss Banking Association (SBA) and the Swiss Funds & Asset Management Association (SFAMA; formerly SFA) pointed out in their white paper from November 2012, asset management should be developed into a main pillar of Swiss banking.¹

This study, based on a comprehensive and innovative survey carried out jointly by zeb consulting and the Swiss Finance Institute in 2015, sheds light on the current condition of the Swiss asset management industry and outlines the key to-dos on the management agenda.

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1) SBA and SFA (2011): „Grundlagenpapier Asset Management in der Schweiz“, p3

MANAGEMENT SUMMARY

NOT READY FOR THE WINNER'S PODIUM YET

Overall, the study reveals a very positive self-assessment of the Swiss asset management industry in terms of its current competitiveness—and assumes an increasing lead over competing international financial centers. Interestingly, infrastructure emerges as its main strength—an aspect that might not be sustainable in light of increasingly global competition and digitization. Moreover, investors are not convinced of the rosy outlook for the Swiss asset management industry.

The industry's innovative power regarding appropriate solutions and products is regarded skeptically overall, and especially the quality of internationally accepted vehicles is perceived to be mediocre. The entire product excellence and innovation area seems not meeting the investors' expectations. This will be even more important going forward considering an increasingly higher liquidity and volatility and lower interest rates. New products and solutions are desperately needed in order to be competitive and achieve investment performance. However, asset managers' quality is generally seen as above-average compared to international peers as of today and even more so in the future. The highest marks here are attributed by the producers themselves and are way above those of all other respondents. Starting from very low levels, a trend to outsource abroad for quality reasons has set in, which surprisingly comprises even core functions such as R&D, asset allocation and risk management. This phenomenon can be observed particularly for institutions with assets under management below CHF 20 bn. Current regulation is unanimously perceived as not very helpful and to cause disadvantages for the industry in international competition.

Branding sends encouraging signals: investors are quite satisfied with investment performance, and market participants associate rather positive connotations with the term 'Swiss asset management'. Also in terms of financial benefits, there is good news for investors, asset management companies and their staff: though somewhat declining from extremely high levels, even in the mid-term Switzerland remains a very attractive location to do business. Moreover, both technical and service infrastructure is seen as above-average, both today and in the mid-term.

Overarching questions reveal that the pattern of strengths and weaknesses as portrayed above does not really match what participants highlighted as being important and urgent for their industry, and there is no real USP recognizable. Summarizing, the Swiss asset management industry has a solid foundation to stand on when tackling its serious and demanding challenges. On an institutional level, business and operating models are to be reviewed, real USPs must be developed, the most profitable activities have to be focused on and innovation power must grow. Regulators, politicians and lobbyists are requested to increase their support for this industry to ensure its international competitiveness on a level playing field.

1. BACKGROUND OF THE STUDY

1.1 KEY CHALLENGES FOR SWISS AM— WHITE PAPER TAXONOMY (2012)

As a starting point, this study targets key challenges as outlined by the SBA and SFA in their initiative to develop asset management into a main pillar of Swiss banking, namely:

Branding: Swiss asset management should grow into a brand of its own in order to attract domestic and foreign investors, which should be offered a broad range of excellent traditional and alternative investment products and associate quality, reliability, expertise and innovation with this industry.

However, the brand awareness of Swiss asset management is perceived as internationally relatively weak, because many of these activities are embedded and 'hidden' in larger universal banks; subsidiary services for asset management are seen as underdeveloped, and the cooperation between academia and practitioners as well as international lobbying are considered unsatisfactory.

Standards for asset management: This industry needs internationally accepted quality, governance, best practices, a code of ethics and other standards. However, the prerequisites for that, such as a compliance culture or an adequate regulation of processes and practices are believed to be insufficiently developed.

Supervision: Asset management needs a competent and credible specialized regulatory authority which provides an enabling framework for market players and ensures that they are fit and proper.

However, there is a perception of a lack of industry-specific legislation, too much focus on investor protection instead of encouragement of competition, a lack of specialization on FINMA's side, tedious examination and approval processes and a lack of cooperation with the industry.

Market access: There has to be a level playing field for Swiss asset managers doing business abroad as well as for foreign competitors offering their services in Switzerland.

Swiss asset management players feel disadvantaged (especially by the EU and in terms of its mutual fund products), and there is too much bureaucracy and insufficient reciprocity observed when it comes to mutually recognizing authorities, investment solutions and services.

Investment vehicles: Switzerland needs a clear-cut range of internationally compatible investment vehicles (such as SICAV) in order to ensure acceptance for its solutions abroad and experience efficient approval processes abroad.

Swiss investment vehicles are perceived not to be internationally compatible enough, which causes difficulties during approval processes abroad as well as tax disadvantages for international investors.

Taxation and costs for investors: These issues should be harmonized with international standards.

The traditional appeal of investing in Switzerland suffers from stamp taxes, withholding taxes and a taxation system that focuses on vehicles instead of investors.

Infrastructure: Switzerland needs efficient and transparent securities exchanges and markets, easy and comprehensive access to market and corporate data and information as well as accessory services for asset managers (such as specialized lawyers and auditors) and full, efficient and secure downstream services such as clearing, custody, corporate action and collateral management.

Appropriate standards for all of this have not yet been defined, and it should be done in due time as the Swiss asset management industry becomes more important.

Education: The industry needs a comprehensive range of adequate and internationally compatible education programs in order to enable a generally high level of specialization, the formation of competence clusters and to attract additional expertise from abroad.

Educational programs in Swiss universities and specialized education providers are not focused enough on the needs of asset management; the academic and professional standards for this industry have not been sufficiently defined yet, and there are no courses of studies for an "Asset Management Diploma".

2) SBA and SFA (2011): „Grundlagenpapier Asset Management in der Schweiz“, pp 7-19

1.2 TOPICAL AREAS—STUDY APPROACH (2015)

In order to capture all relevant aspects of the Swiss asset management industry in a mutually exclusive and collectively exhaustive manner for research purposes, the eight key challenges for the industry as outlined in section 1.1. as set forth by the SBA white paper were rearranged into six topical areas of interest by application of the following transformation scheme:

As a result, the number of areas of interest could be bundled while adding important extra considerations such as investor satisfaction or outsourcing tendencies.

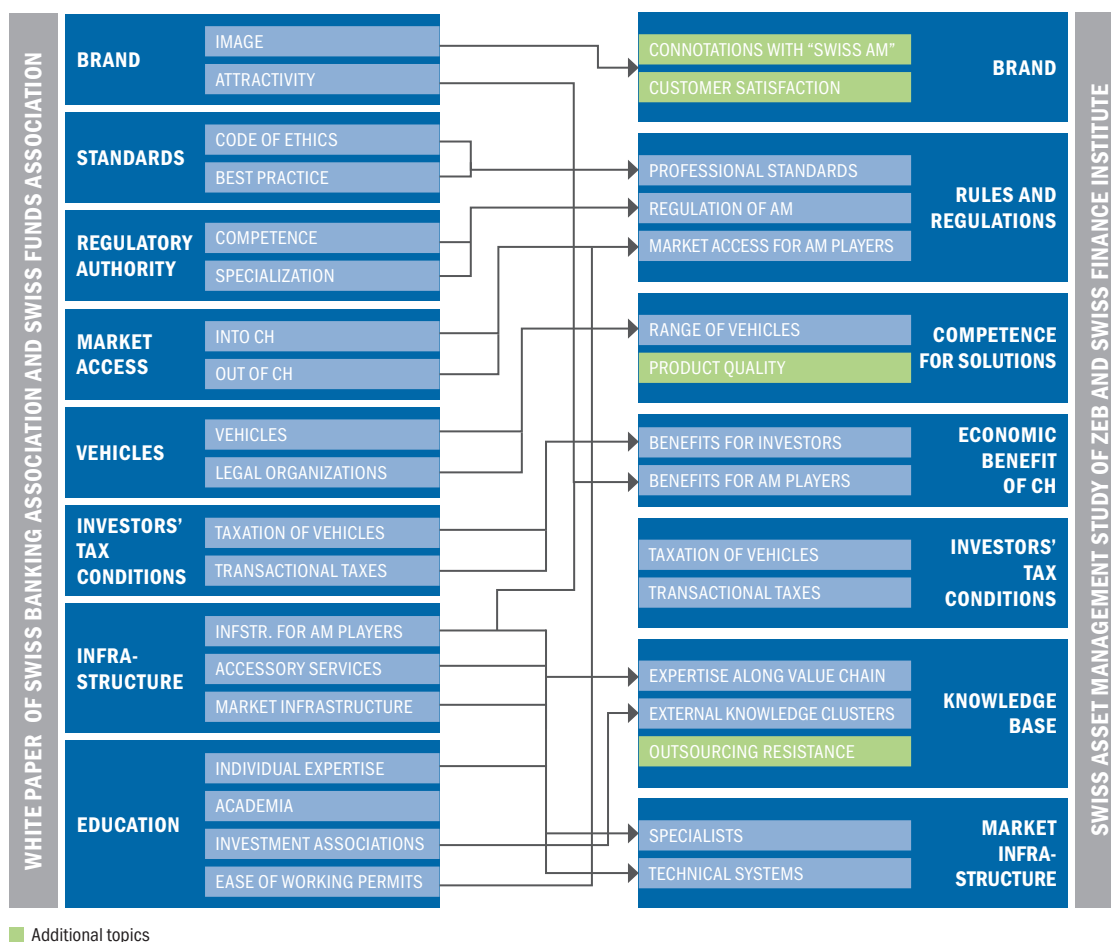


Figure 1: From challenges to topics surveyed

2. METHODOLOGY

2.1 DEMOGRAPHICS

COMPOSITION OF PARTICIPANTS

With 576 participants, our Swiss asset management survey is—to the best of our knowledge—the largest survey ever conducted in the Swiss asset management industry. By involving the constituent groups of investors, asset managers, regulatory and systemic institutions as well as asset administrators and consultants, the study is a comprehensive representation of the industry and allows, for example, for contrasting the perspective of asset managers, who account for 62% of participants, with the other subgroups' viewpoint. For details regarding the various sub-groups approached, please refer to the appendix (cf. Fig. 2).

The responding asset managers represent the production side of asset management in a comprehensive and very balanced way, both with regard to the types of mandates managed and to their size classes in terms of assets under management (cf. Fig. 3 and 4).

88% of the participating companies have their headquarters in Switzerland, while the remaining 12% represent international asset management players doing business in Switzerland (cf. Fig. 5).

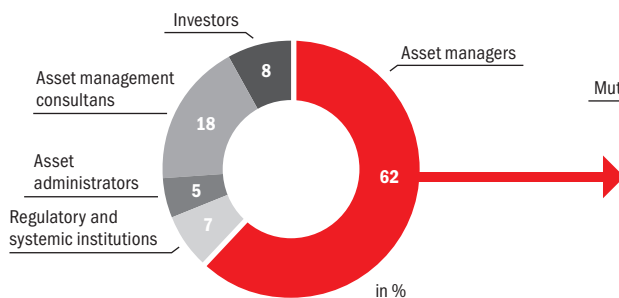


Figure 2: Structure of participating groups

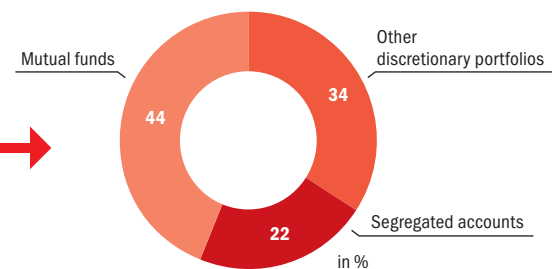


Figure 3: Structure of participating asset managers

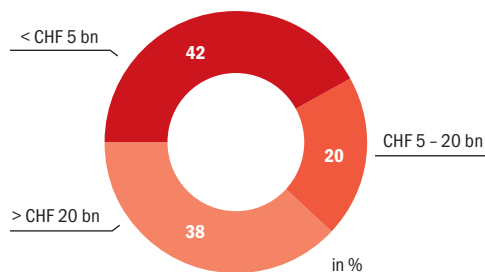


Figure 4: Size classes of participating asset managers

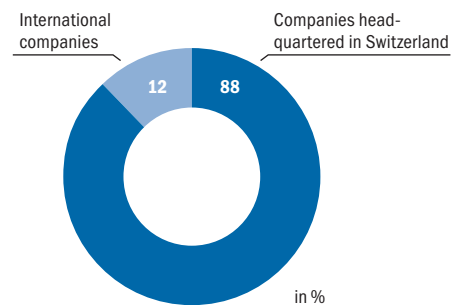


Figure 5: Domicile of respondents' companies

COMPETING MARKETS

Because our study intended to compare the current situation of the Swiss asset management industry with that of international competition, participants were asked to name the main markets they consider to rival Switzerland. All in all, the Anglo-Saxon world emerged as by far the most serious competition (cf. Fig. 6).

Percentage of markets mentioned

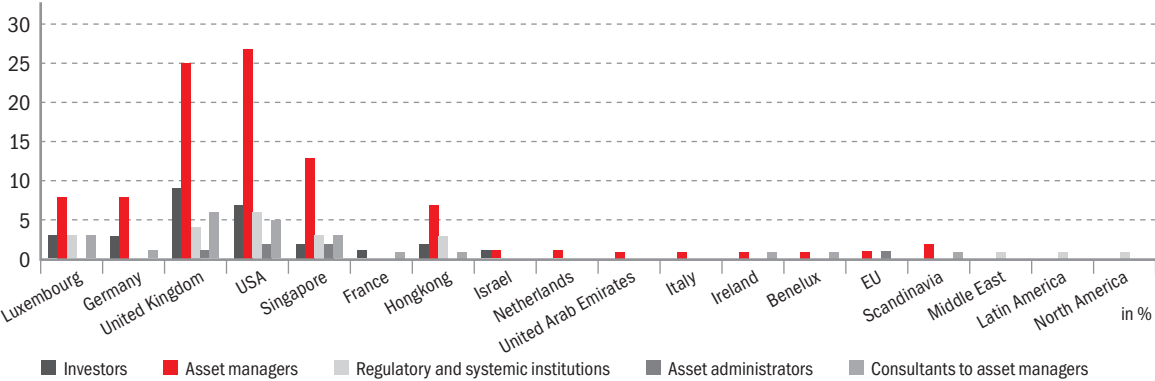


Figure 6: Competing markets—group-specific

2.2 THE ASSET MANAGEMENT VALUE CHAIN

While the banking industry has a clear definition and historical value chain that, granted, has become more complex through the evolution of the global banking system, the challenge of asset management is that it has neither. “Asset management” is interpreted as being many things to various constituent groups and therefore the value chain is understood to be quite different as well.

DEFINITION OF ASSET MANAGEMENT

In absence of a legal or widely-accepted practitioners’ definition for asset management and aiming for a comprehensive topical coverage of the industry, the study’s authors decided on the following definition of asset management as a basis for their analysis:

“Asset management comprises the development of managed investment solutions and the ongoing discretionary management of portfolios on behalf of clients or for proprietary purposes— as well as the distribution of investment solutions to and the servicing of institutional investors including the administration of their assets.”

This rather broad definition of the industry does not only cover the core, namely the production side, but also the development and distribution side, and the administrative services that support the industry.

THE ASSET MANAGEMENT VALUE CHAIN

In line with the above-mentioned definition of asset management, zeb and SFI have developed a full value chain model for the Swiss asset management industry, which reflects the focus on development, sales, discretionary portfolio management and administration for institutional investors as well as on the production of institutionalized solutions (collective investments such as mutual funds) for private clientele. This model served as the structural principle for the standardized questions asked on company-related aspects during the survey. The full model can be found in the appendix of this report.

APPLICATION OF MODEL:

CAPTURING COMPETENCE AND OUTSOURCING

Twelve questions related to the value chain were used in the survey focusing on the most important elements driving quality and competitiveness in the asset management industry, namely in green.

These twelve questions were asked to the group of asset managers (representing the production side) as a self-assessment and to the four other groups from a client / partner perspective. All twelve questions asked the respective subgroup for their current as well as mid-term views. This approach facilitated a contrast of the different perceptions.

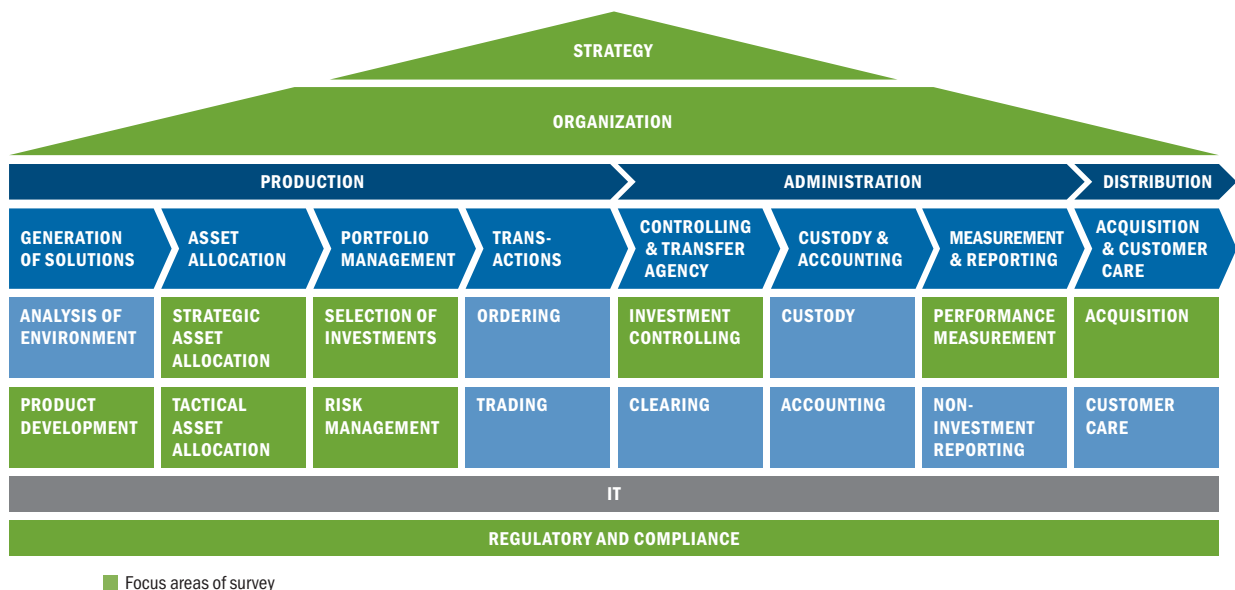


Figure 7: Application of value chain in survey

2.3 SAM-X

SET OF QUESTIONS

A total of 54 topical questions plus introductory and summary questions were asked to the five participating groups. In order to gain a full impression of the industry, i.e., in order for the authors to analyze all subgroups in the industry, the topical questions were selected by groups and distributed according to the scheme in figure 8.

This holistic approach distinguishes this study from earlier research carried out on Swiss asset management and allows for differentiated insights and comparisons of view points as well as group-specific breakdowns of indexed results. Additionally, the summary questions enable plausibility checks on a number of levels.

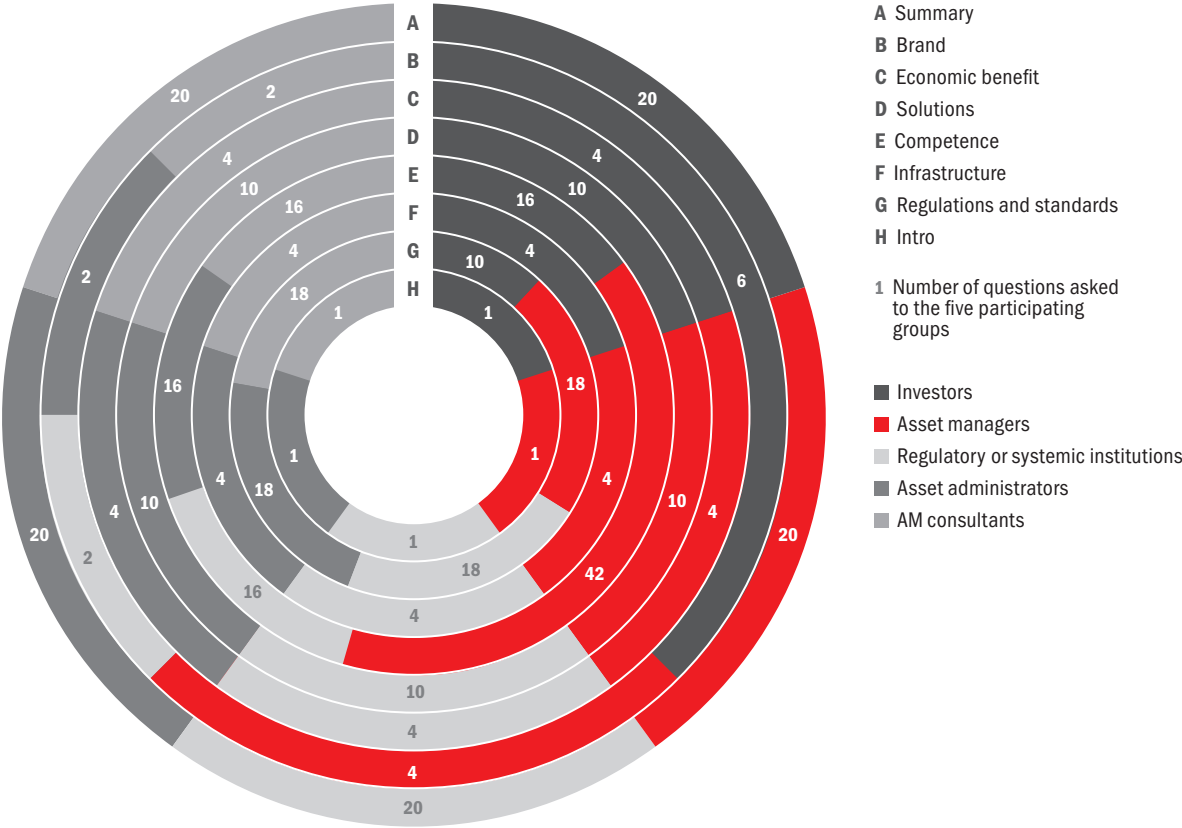


Figure 8: Group-specific attribution of questions

SUB-INDICES AND AGGREGATION

As an innovation in researching the asset management industry, its current and expected future status is expressed in index terms in order to be able to track developments and trends over time. For this purpose, all answers to the topical questions are translated into index values.

In a first step, a double set of index values for each of the six topical areas as outlined in section 1.2 is calculated from the answers to the respective topic-related questions: one set of values representing the status of today and the other representing the mid-term.

In a second step, the index values of the sub-indices are aggregated to the index value of SAM-X, the Swiss Asset Management Index (cf. Fig. 9).

CALCULATION OF SUB-INDEX VALUES

Sub-index values are calculated by means of the 5-point-Likert scale value of every topic-related answer. All topical questions are asked with the perspective of comparing Swiss asset management with competing markets abroad and are phrased in a manner that allows for a consistent answer format of

MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER

Neutral answers (“same”) are not counted. Negative answers are attributed negative factors, and the extreme answers on both sides are multiplied with 1.5, which accounts for the higher degree of direction, but still keeps the direction itself more important than the degree. The index value for each question is calculated by building the sum product of the number of non-neutral

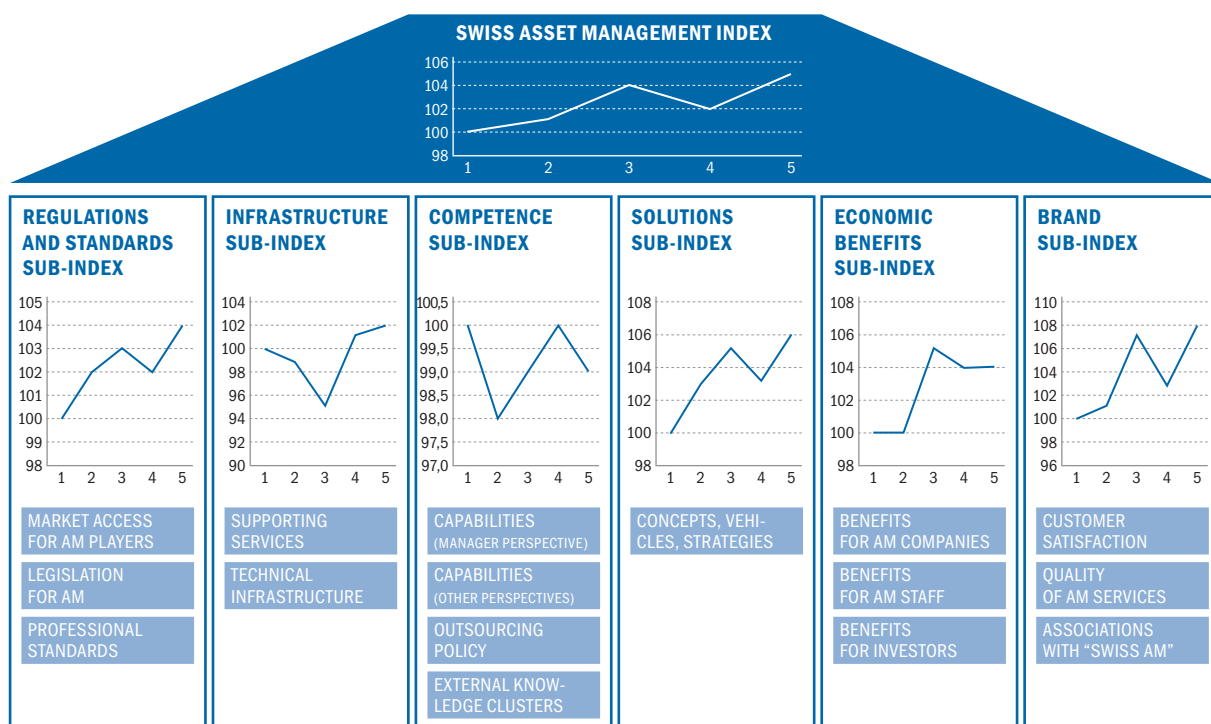


Figure 9: Aggregation of SAM-X

answers and the factor (-1.5 or -1 or 1 or 1.5) associated with them. The index value itself is built by averaging the index point values of all topic-related questions. Finally, the method applied for the sub-index formation is an equal-group weighting of answers as opposed to a possible single vote-weighting. The reason for this is to have each of the five participating groups which together make up the Swiss asset management industry to have an equal voice—regardless of the naturally very differing numbers of participants from each of these groups and of the factual differences in “importance” of each group which for obvious reasons could not be measured anyway. Of course, one could specifically argue that investors and/or asset managers should be weighed higher, but we intentionally utilize a neutral stance toward constituent groups.

CALCULATION OF SAM-X

The formation of the resulting SAM-X is based on the relative importance of its six constituent topics (= sub-indices), which was attributed by the participants themselves in answering closing summary questions of the survey on the importance of each of the six topical areas. This “market weighting” of the sub-indices was chosen over alternative weighting methods (such as equal-weighting) because participants—especially when all groups of market players are represented—according to the conviction of the researchers will naturally produce a good prioritization of the relative importance of the topics. In order for the methodology to be consistent, the aggregation of the answers on relative importance of the topical areas follows the same equal-group weighting as in the calculation of sub-indices.

TREATMENT OF OUTSOURCING POLICY

In order to align the qualitative answers to questions on outsourcing with the prevailing 5-point-Likert scale format in a meaningful manner, the factors used to calculate the index values of answers are attributed to answers in the following manner in line with SBA’s and SFA’s white paper of 2012, which demands a value generation as high as possible for asset management clients in Switzerland³ (cf. Fig. 10).

Outsourcing policy	Factor	Rationale
Outsourcing into Switzerland for quality reasons	1.5	The best one can do from a perspective of the Swiss asset management industry
Outsourcing into Switzerland for cost reasons	1	Still good for the Swiss asset management industry (internationally comparative advantages)
No outsourcing at all	0	Neutral answers are eliminated
Outsourcing abroad for cost reasons	-1	Shrinking the size of the Swiss asset management industry
Outsourcing abroad for quality reasons	-1.5	Harmful for the Swiss asset management industry in the long run

Figure 10: Translation of outsourcing policy into index value factors

3) SBA & SFA (2012): „Grundlagenpapier Asset Management in der Schweiz”, p5

3. SELF-CONFIDENCE AT VERY HIGH LEVELS— PRODUCERS AND INVESTORS DISAGREE

3.1 OVERALL PICTURE

The Swiss asset management industry currently considers itself to be significantly ahead of international competition: SAM-X and its sub-index values are above the mark of 100, which represents international mediocrity. The self-perceived Swiss lead is even expected to slightly expand overall in the mid-term. Only the financial benefits are expected to drop considerably within the next years, whereas all other areas show further improvement relative to competition. For the time being, survey respondents agree that infrastructure and competence appear as being the main assets of Swiss asset management, whereas solutions appear to be the least competitive area. Competence and brand exhibit the steepest increase and are thus expected to be the main drivers of its future competitive advantage by showing the biggest overall improvement in the mid-term (cf. Fig. 11).

3.2 GROUP-SPECIFIC PERCEPTIONS

Drill-down calculations of SAM-X and its sub-indices reveal big differences in levels and dispersion of group-specific assessments. The following graph contrasts the overall and the group-specific percentage changes of SAM-X and its sub-indices between today's and mid-term perspectives (cf. Fig. 12).

SAM-X: ASSET MANAGERS' PERCEPTION 40% ABOVE ALL OTHERS'

On the SAM-X level, which reflects the industry's overall international competitiveness, all participating groups are optimistic about the mid-term development except regulatory and systemic institutions, which predict that Swiss asset management will deteriorate from a higher to a lower level of superiority. Asset managers, which are already by far the most optimistic group, also expect the steepest increase in the Swiss lead amongst all groups. Asset management consultants—as the only group—change their assessment of the industry's overall international competitiveness between today and the mid-term from “below industry standard” to “above industry standard”. The subsequent discussion of group-specific differences in perception of topical areas as represented by the SAM-X sub-indices mirrors the flow of topic-specific sections of this report.

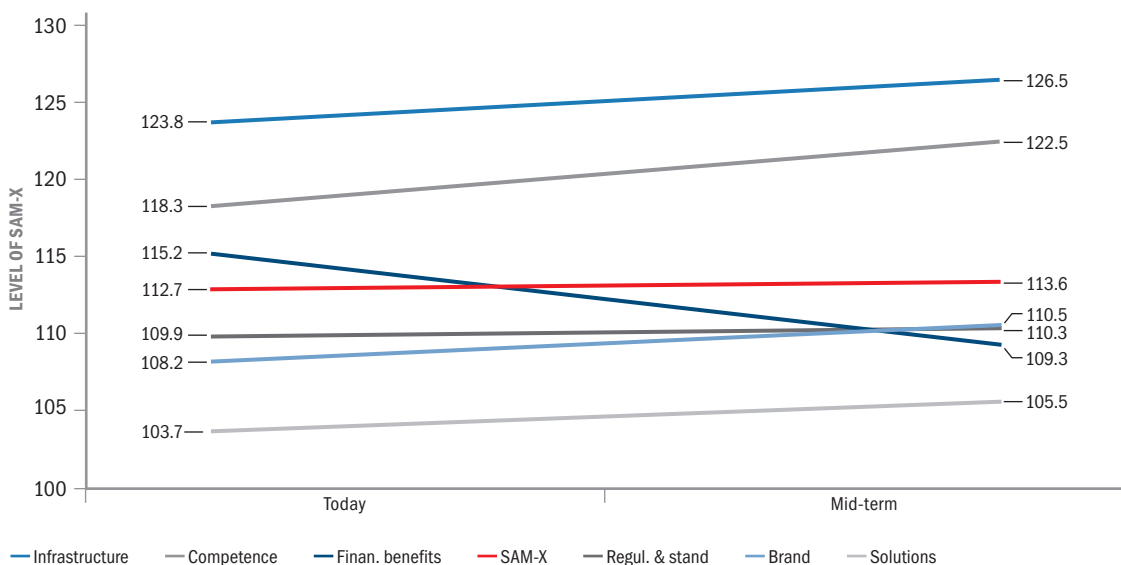


Figure 11: SAM-X and sub-indices

REGULATIONS AND STANDARDS: SORT OF OK

Group-specific assessments of regulations and standards, whose sub-index ranges slightly below the overall SAM-X levels, reveals cautious optimism by every group except for asset managers, which predict a moderate setback in that respect to still rather comfortable levels. All in all, this area is expected to lose one rank to branding in the mid-term.

INFRASTRUCTURE: PARTIALLY STELLAR ASSESSMENTS

Infrastructure, considered to contain the highest quality of all six topical areas investigated, was attributed outstandingly high scores by asset managers for today and even more so for the mid-term. All other groups agree on further improvements over time except for regulatory and systemic institutions which instead expect a slight decrease in competitive advantage.

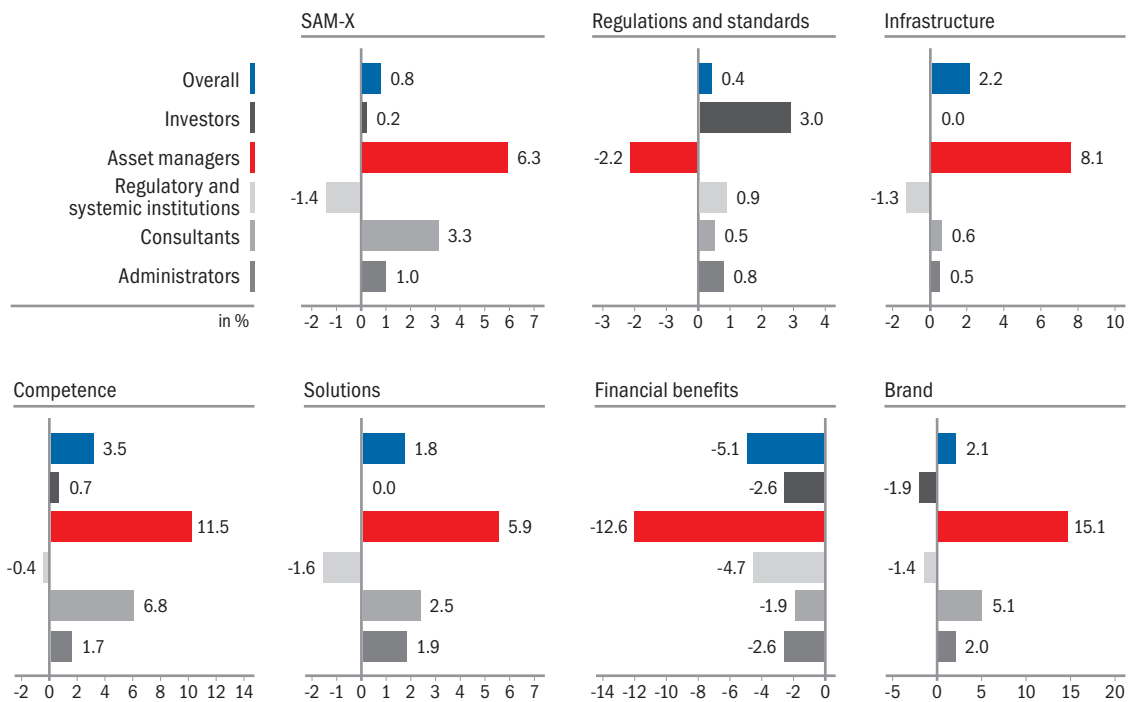


Figure 12: Group-specific changes in expectations for SAM-X and sub-index levels from today to the mid-term

COMPETENCE: MOST PLAYERS BELIEVE IN SWISS AM

Competence gets the second-highest quality assessment overall, which again is mainly driven by asset managers, who, together with asset management consultants, also predict significant improvements in this area. As the only group, regulatory and systemic institutions again predict a decline in the industry's competence.

SOLUTIONS: EVERYBODY IS RATHER CAUTIOUS

The international competitiveness of solutions offered by Swiss asset management is considered the overall weakest of all topical areas analyzed. Even asset managers—as the producers of these solutions—attribute rather poor scores of 111 today and 117 in the mid-term. Their caution is shared by investors—who expect no improvement in solutions' competitiveness—and regulatory and systemic institutions who even foresee a deterioration close to international mediocrity over the next three to five years.

FINANCIAL BENEFITS:**INVESTORS BECOMING INCREASINGLY UNEASY**

Financial benefits comprise the appeal of Switzerland for investors as well as for asset management companies and their staff. This was the only topical area surveyed that all participating groups unanimously agreed will deteriorate. The group-specific extent of this deterioration reveals that it is asset managers who fear losing the most. As the most important representatives of the employer and employee side, they expect a setback in sub-index value by almost 20 points—but to a level of around 130, which is still internationally relatively comfortable. Investors, who will be affected by any changes in tax regime and fee structure, predict a deterioration of appeal to levels not much above the international average.

BRAND: APPEARS TO BE GROWING INTO AN ASSET

Brand, though seen as the overall second-weakest aspect of the industry's competitiveness, is expected to climb one rank in the mid-term, which is pushed predominantly by asset managers as well as consultants, who strongly believe that the brand can be improved by Swiss asset management in the future. However, there are opposing opinions by investors and regulatory and systemic institutions, who do not really believe that branding will remain an important asset for the industry.

4. REGULATION IS A MAJOR CONCERN— STANDARDS ARE NOT

4.1 MARKET ACCESS: NOT A LEVEL PLAYING FIELD

The survey investigated three different aspects of market access:

1. the ease for international asset management companies to enter the Swiss market
2. the ease for international asset management professionals to work in Switzerland
3. the ease for Swiss asset management companies to do business in markets abroad

The visualizations in figure 13 refer to the actual answer scores on a 5-point-Likert scale, where a score of 3 represents an internationally comparable level of access, a score of 1 is the worst possible access and a score of 5 is the best possible access. Study participants perceived the market access for international asset management companies into Switzerland as considerably easier than other markets and expect this ease of entry to even increase in the future. Asset

administrators expressed this view most prominently followed by asset managers. When it comes to the opposite direction (i.e., the ease of Swiss asset management companies to enter international markets), the results look markedly different: study respondents attributed an overall score of only 2.65 for today (i.e., weak) and expect this disadvantage for the Swiss asset management industry to remain for the foreseeable future, though less severe (2.83). Again, asset administrators delivered the most extreme score followed by asset managers. The third perspective, taking into account the ease for foreign professionals to work in the Swiss asset management industry, indicates a strong decrease from today's very comfortable level of 3.70 to a mere 3.31 over the next three to five years. This surely reflects recent changes in immigration law in Switzerland. Also here, asset administrators gave the top score, followed by asset managers. Interestingly, as the only group, investors expect (hope?) that it will become easier for foreign asset management talent to work in Switzerland in the future.

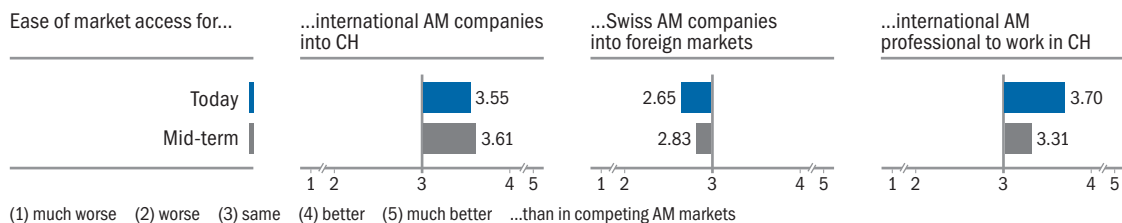


Figure 13: Ease of market access

4.2 MORE ON REGULATION AND ON STANDARDS

REGULATION: EVEN MORE COMPLAINTS

Our questions regarding the clarity of Switzerland’s asset management-specific regulation as well as on the quality of dialog between industry players and their legislators yielded no conspicuous results, but rather a general satisfaction with scores slightly above international average. The only further noticeable “complaint” was in the realm of effectiveness of regulation, which covers aspects of balance between its restrictiveness, operability and flexibility: participants assigned a low score from today’s perspective and expect a further deterioration in the mid-term—again asset managers were the main drivers of pessimism.

Our comments section of the survey brought forth a striking outcome regarding regulation: all comments explicitly focusing on the asset management-related regulations were negative across all participating groups. The main concerns revolved around:

- Regulation kills innovation in Swiss asset management
- Politicians do not stand up enough for the industry’s needs on the international floor
- Authorization processes for new products take too long
- EU regulation has a negative impact on the Swiss asset management situation
- Regulation is for the big players at the expense of the smaller ones

The last statement is also confirmed when drilling down the answers by size class of asset managers: players with < CHF 5 bn of Asset under Management were more pessimistic regarding the regulation of the industry; this reflects smaller players’ experiences of increasing difficulties in complying with regulation.

PROFESSIONAL STANDARDS: A RATHER BRIGHT PICTURE

As far as the industry’s professional standards are concerned, a rather positive picture emerged: the availability and acceptance of best practices and codes of conduct, the minimum requirements for asset management companies as well as investor protection and transparency issues were given evaluations that were significantly above current international levels.

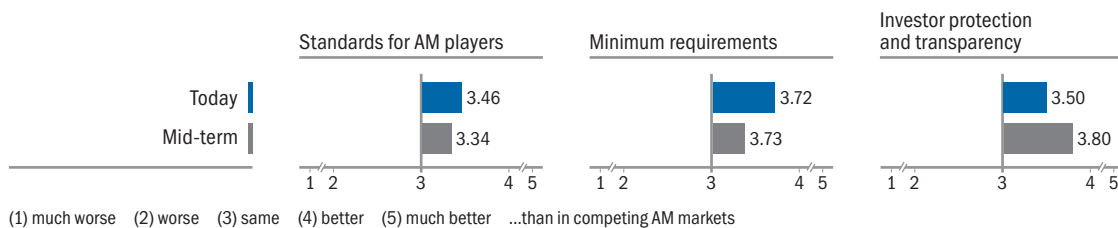


Figure 14: Professional standards

5. INFRASTRUCTURE: BROAD OPTIMISM

The assessment of the industry's competitiveness in terms of infrastructure was surveyed on a two-fold basis:

1. The term 'infrastructure' was applied to the availability and quality of auxiliary services supporting the asset management industry—such as auditors, lawyers, tax specialists and asset management consultants.
2. The term was used in the sense of availability and quality of the industry's technical infrastructure, i.e., the quality of its exchanges and organized markets.

Both aspects yielded very positive results from today's perspective and even more so with regard to the mid-term future. Overall, as stated earlier, the SAM-X sub-index for infrastructure is ranked top from all SAM-X sub-indices. Also, there was a broad agreement amongst all participating groups regarding the internationally high competitiveness of the Swiss asset management infrastructure. The strongest opinion here is expressed by regulatory and systemic institutions (scores between 4.00 and 4.36), who also expressed this favorable assessment of the infrastructure aspect in the qualitative comments. The weakest evaluations were contributed by asset administrators.

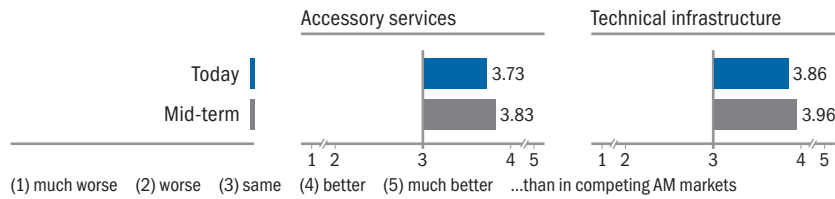


Figure 15: Competitiveness of infrastructure

6. COMPETENCE: LOTS OF PRAISE, BUT INVESTORS ARE CAUTIOUS

6.1 OVERALL PICTURE

Based on the value chain model introduced above, we conducted a comprehensive assessment of the quality of asset managers' main functionalities. Our survey asked producers to evaluate themselves. The visualization below refers to the results on a 5-point-Likert scale, where a score of 3 represents a quality equal to international competitors, a score of 1 is the worst possible (i.e., lower quality than international competitors) and a score of 5 is the best possible evaluation (i.e., higher quality than international competitors).

In line with our earlier findings related to the industry's level of competitiveness in general as expressed via SAM-X and its sub-indices, the analysis of the qualities of asset managers as the industry's core group yielded

a very positive picture as well: none of the aspects assessed were believed to range below international competitors' standards—neither from today's perspective, nor with regard to the mid-term future. All aspects—with the minor exception of asset managers' domestic sales power—are expected to expand their lead over international competitors over the next three to five years.

Remarkably, there is no clear pattern of strengths and weaknesses or a single quality that sticks out where one could derive a clear selling point for the industry. As of today, all values are in a range between 3.15 and 3.85, and regarding the mid-term, between 3.48 and 3.80. However, it is striking that the aspect of innovation, which is certainly indispensable for international product competitiveness, was regarded as the weakest quality of Swiss asset managers.

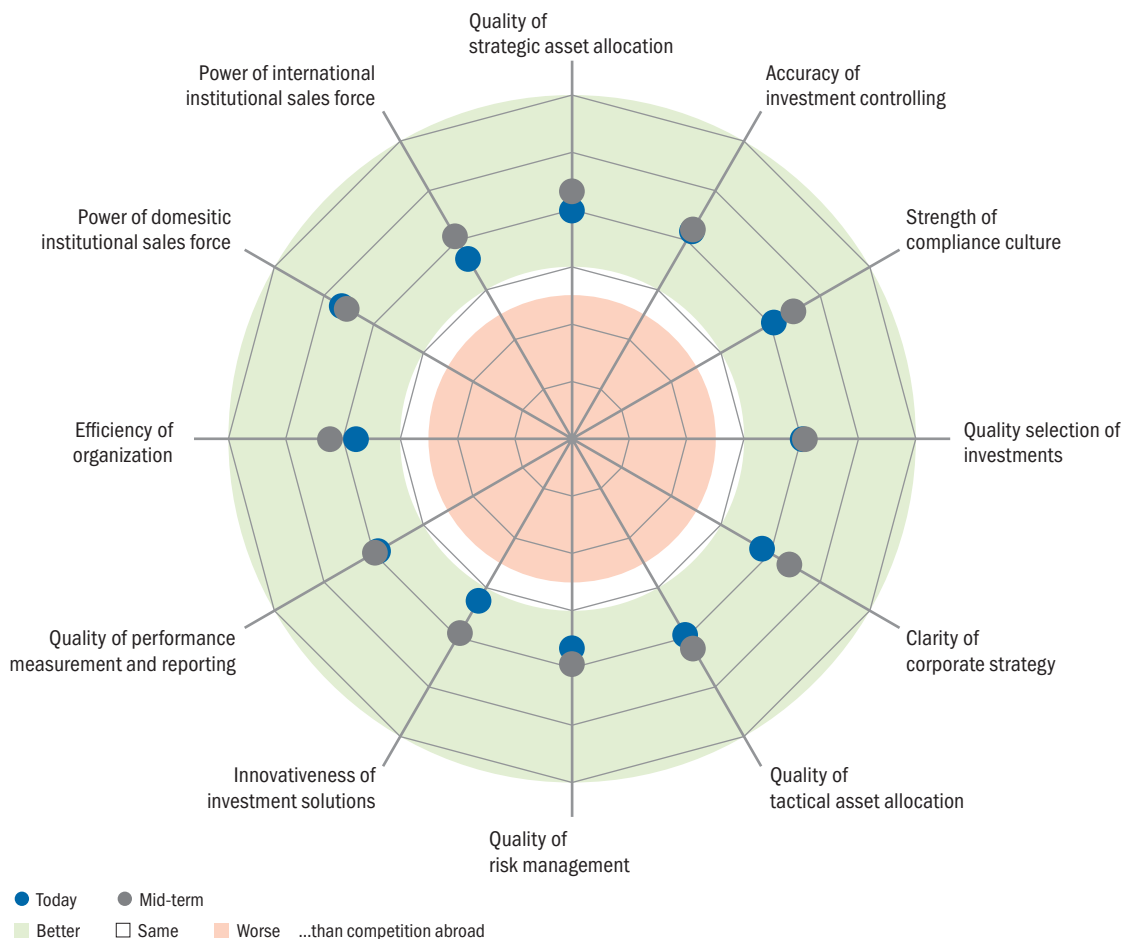


Figure 16: Asset managers' qualities along the value chain—overall picture

6.2 CONTRASTING THE MAIN PLAYERS

A deeper analysis of producers' qualities along the value chain, contrasting the industry's main protagonists' positions—namely of asset managers and of investors—reveals some interesting facts. Whilst—not unexpectedly in light of our earlier insights—asset managers attribute themselves the highest scores of all participating groups for most of their value chain functionalities except for organizational efficiency and sales power, investors take a much more cautious stance in general and disagree with the producers with regard to various decisive areas:

1. Strategic asset allocation, commonly regarded as being critical to investment performance, is praised by asset managers themselves as their most outstanding quality, but no other group, and especially not investors, agrees with this view.

2. Investment selection, for sure widely agreed on to make or break active investment strategies, exhibits a similar discrepancy of assessment between asset managers, every other group and—especially—investors.

3. Investors attribute their lowest score of all to the innovation of investment solutions offered to them, joined by every other group, whereas asset managers consider their product as considerably above international standards.

Interestingly, investors regard the domestic and international sales power of producers to be significantly higher than the asset managers do themselves. They are joined by the other three groups, which even attribute a record score for producers' domestic sales power.

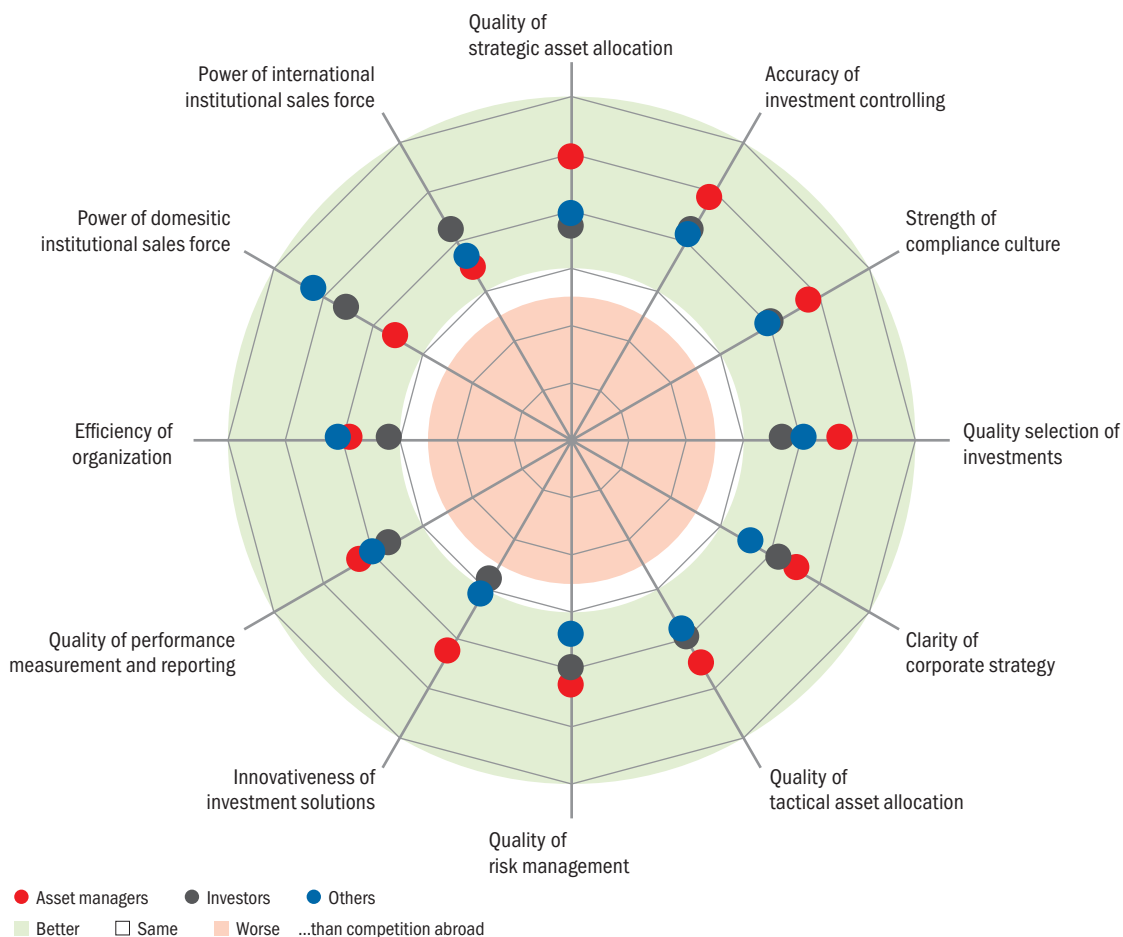


Figure 17: Asset managers' qualities along the value chain—drill-down

6.3 SIZE EFFECTS FOR ASSET MANAGERS

On a number of levels, smaller asset managers (with assets under management < CHF 5 bn) exhibit markedly different views than their larger peers: they are more optimistic in terms of efficiency of their organization, and also more positive with regard to the quality of their risk management and performance measurement. For these aspects, the smaller players see themselves

ahead of the larger players today and in the mid-term. In addition to that, the smaller producers seem to be more satisfied with the availability and quality of asset management-related education programs than their larger peers. The only aspect where the smaller players are markedly more cautious than larger players is the power of their domestic and international sales force.

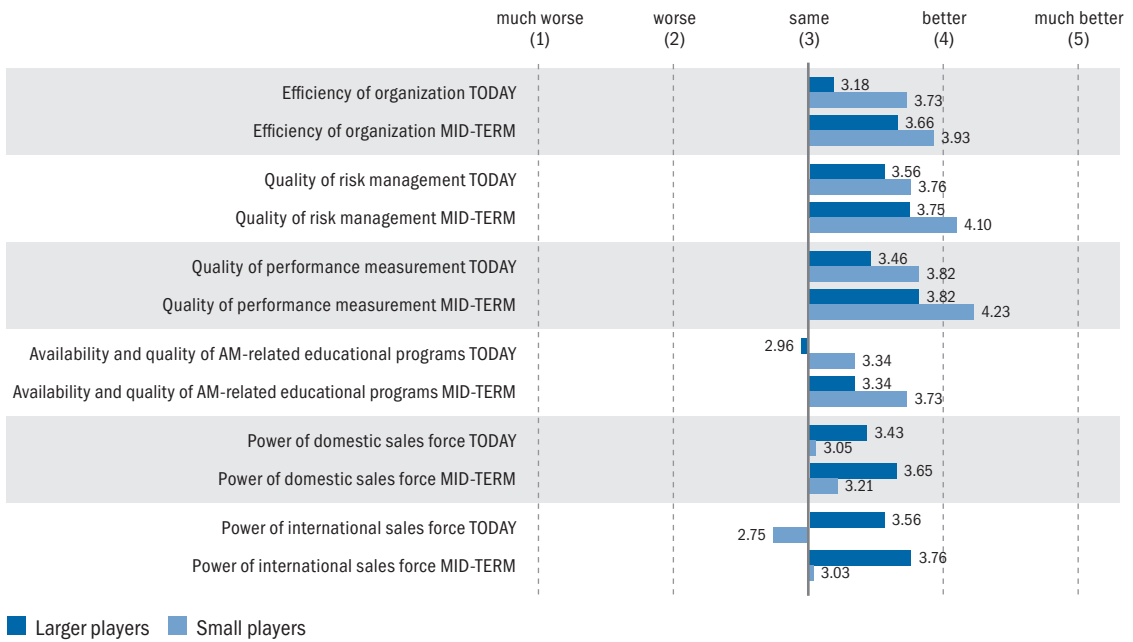


Figure 18: Size effects for asset managers

6.4 OUTSOURCING TRENDS

Asset managers' propensity to outsource certain activities was also assessed: outsourcing is not a widespread phenomenon yet in the Swiss asset management industry: from today's perspective, all functionalities which could potentially be outsourced along the value chain are performed by the majority asset managers themselves—with a percentage between 54% (for accounting) and 80% (asset allocation activities). However, a few interesting trends have set in:

OUTSOURCING INTO SWITZERLAND: RIGHT MOTIVATION, BUT WRONG TREND

For the time being, the main reason for asset managers to shift activities to other providers within Switzerland is quality. This is certainly good news if that means that asset managers focus their activities on their core competencies. However, this motivation is expected to decline across all functions in the mid-term as figure 19 shows.

Costs as a motivation for outsourcing domestically are of minor importance today, but are expected to gain significance in the future (cf. Fig. 20).

Percentage of Swiss asset managers outsourcing activities domestically for quality reasons

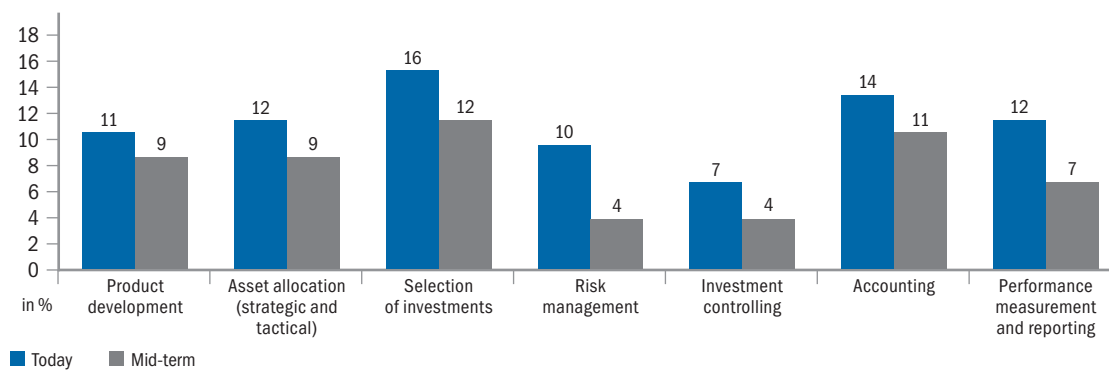


Figure 19: Outsourcing domestically for quality reasons

Percentage of Swiss asset managers outsourcing activities domestically for cost reasons

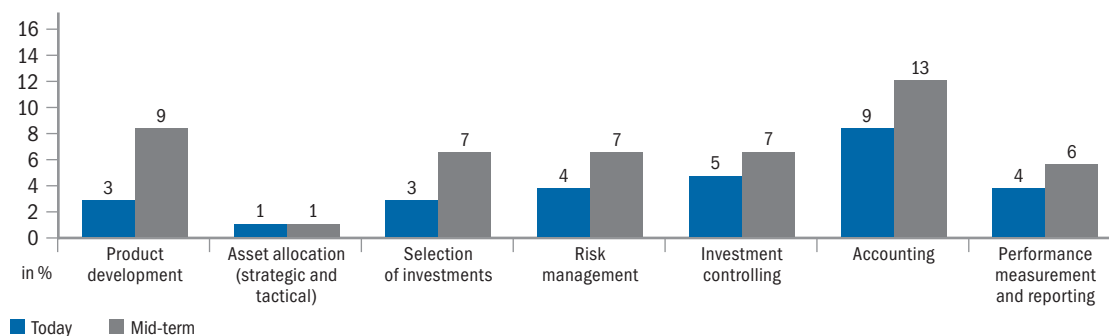


Figure 20: Outsourcing domestically for cost reasons

OUTSOURCING ABROAD: DANGEROUS TENDENCY TO OUTSOURCE CORE FUNCTIONS

For the time being, the main reason for asset managers to shift activities to other providers abroad is costs. This result could be expected in a high-cost country such as Switzerland and is inevitable against the ongoing process of disaggregating the value chain and the high transparency of value added generated by each function. This motivation is expected to grow across all functions in the mid-term, and is, in the author's opinion, not something to worry about (cf. Fig. 21).

Though outsourcing for quality reasons is of minor importance for Swiss asset managers today, this tendency is becoming stronger and even relates to core capability functions of investing as product development, selection of investments and risk management. The willingness to outsource core activities could prove to be more of an issue for the Swiss asset management industry and would counteract the position of the Swiss asset management industry as a significant pillar in Swiss banking. This also means an increase in dependency on foreign talent outside of Switzerland (cf. Fig. 22).

Percentage of Swiss asset managers outsourcing activities abroad for cost reasons

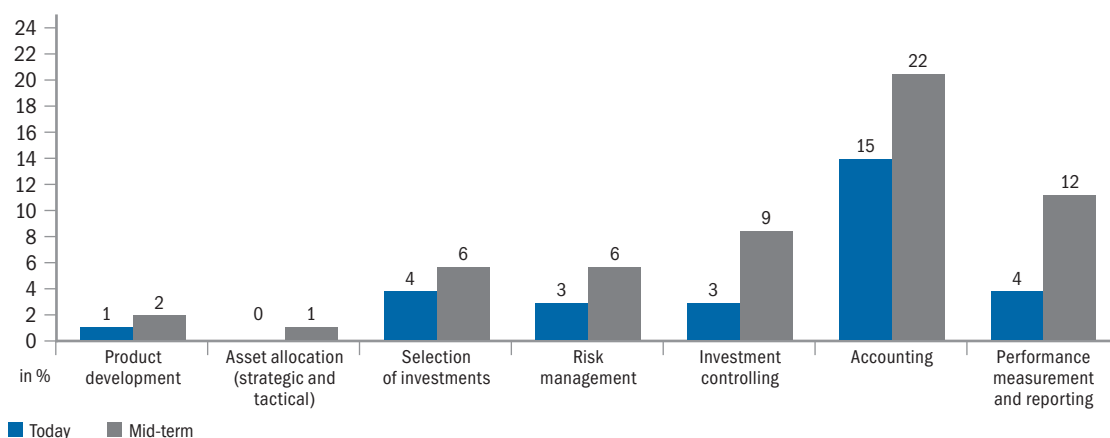


Figure 21: Outsourcing abroad for cost reasons

Percentage of Swiss asset managers outsourcing activities abroad for quality reasons



Figure 22: Outsourcing abroad for quality reasons

6.5 KNOWLEDGE EXCHANGE AND EDUCATION IN ASSET MANAGEMENT

The final set of questions in the competence section focused on industry-related knowledge. Survey participants were asked for their assessment of the quality of exchange of knowledge and practical experience between asset management players, academia and AM-related associations. This factor was barely above the average level in international comparison from today's perspective—a result that surprises somewhat given the fact that Switzerland's geography may offer better chances for close cooperation between investment and academic communities than elsewhere. Interestingly, investors contributed the highest score here from today's perspective indicating that they believe such an above-average level of exchange already takes place.

The lowest score, on the contrary, was delivered by the group of asset managers, which shows that they believe the industry-specific knowledge exchange to be internationally sub-standard. Overall, there is a clear expectation that this will improve in the future.

An assessment of the quality of asset management-related education programs in Switzerland was conducted. All in all, this factor scored higher than the questions on knowledge exchange, but also with a clear expectation for improvement in the future. Of all participating groups, only the asset administrators stood out with a contributed score of just 2.40, which is significantly below a neutral "3" and may reflect a disappointment by the fact that there are no educational programs offered that support the middle and back office sections of the industry's value chain.

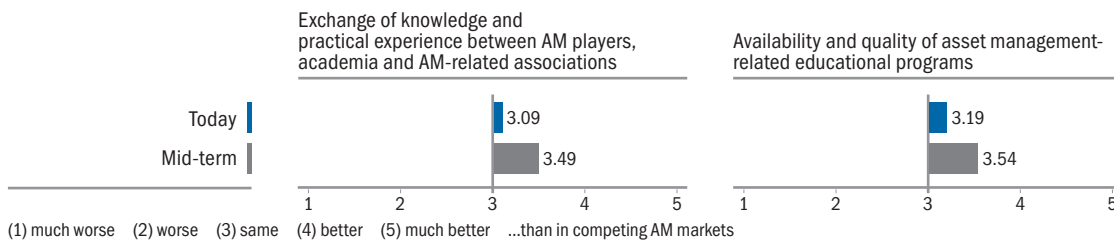


Figure 23: Knowledge exchange and education

7. SOLUTIONS—DOMESTICALLY COMPETITIVE, BUT INTERNATIONALLY WEAK

Solutions were categorized into six different groups, ranging from traditional actively managed asset classes such as investment grade bonds or developed market equities to special investment strategies such as absolute return, capital protection, hedge funds and sustainable investing. In light of Swiss asset management's ambition toward being more internationally competitive, a special category was built which asked about the availability of internationally accepted investment vehicles—this category captured individual, collective and tailored solutions and the flexibility of the legal features attached to those solutions.

As a result, the solutions offered by the Swiss asset management industry turned out to be fairly competitive—though not overwhelmingly, the international standard was at least reached or slightly surpassed in all categories—with a slight overall tendency towards further improvement in the mid-term.

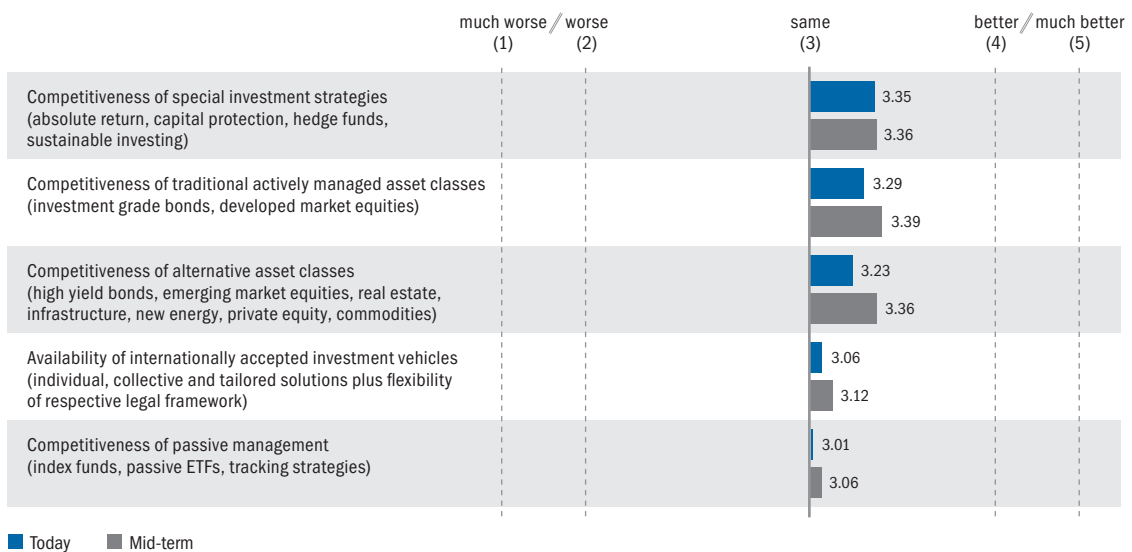


Figure 24: Overall competitiveness of solutions

Because the competitiveness of special investment strategies was awarded the highest score and the competitiveness of passive management strategies ended up on the last rank, this looks at first glance to be an advantageous and future-oriented result, where more ambitious (and higher-priced) strategies are preferable to the low (margin) end of production.

However, a closer look at the assessments of the two main parties reveals interesting differences in current perception: asset managers give themselves the highest scores in the three most ambitious categories, namely for special, alternative and internationally accepted solutions. Investors, however, do not really

agree: they also see above-average competitiveness for special investment strategies, but not for alternative ones, and when it comes to internationally accepted vehicles, investors feel competitors abroad offer more. Investors see the main competence of Swiss asset managers in the presumably least ambitious segments, namely for traditional actively managed asset classes and for passive management strategies. Since it is reasonable to assume investors do actually invest internationally and have a sound overview on competitiveness of players with regard to the different categories of solutions, this discrepancy in perception between clients and producers should not be underestimated.

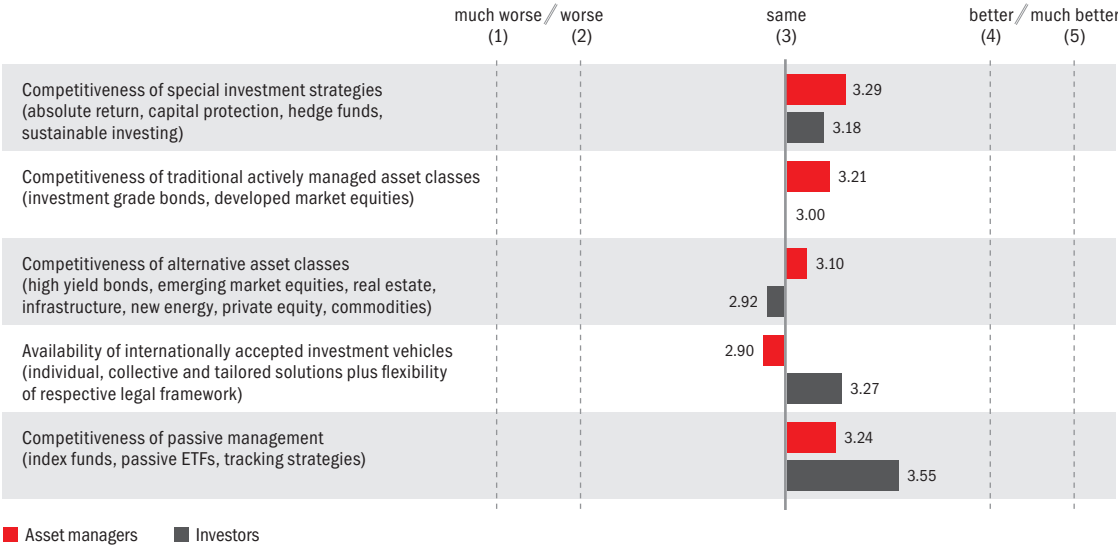


Figure 25: Competitiveness of solutions—contrasting asset managers and investors

8. FINANCIAL BENEFITS—AN ONGOING PLUS

The appeal of the Swiss asset management industry in terms of financial benefits offered to its various stakeholder groups was researched according to three points:

- Financial benefits for investors, i.e., taxes on vehicles and transactions, stability of CHF, political and economic stability
- Financial benefits for asset management companies, i.e., income level, tax, environment, political and economic stability
- Financial benefits for asset management professionals, i.e., income level, tax, environment, quality of life, political and economic stability

INVESTORS EXPECT A SIGNIFICANT DROP IN FINANCIAL BENEFITS

The group of investors asked about financial benefits also included asset managers who act as investors. As a result, they feel that financial benefits from investing in Switzerland will decrease significantly in the mid-term even though the absolute level of benefits is expected to remain above competing markets. This should be considered important and urgent for all Swiss asset managers.

ASSET MANAGEMENT COMPANIES ARE LESS PESSIMISTIC

Asset managers also expressed their expectation that financial benefits from doing business in Switzerland will decrease in the mid-term. Though starting from about the same level today as the group of investors, the production side expects a much smaller setback than their clients. Their level of financial benefit expected over the next three to five years is still much higher than international levels. These results do not reflect the realities of returns of Swiss versus international asset management companies.

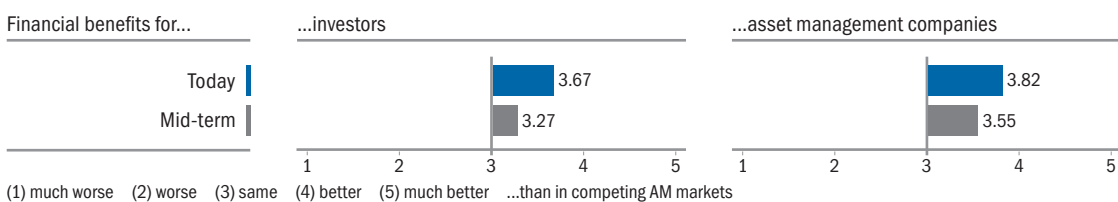


Figure 26: Financial benefits for investors and AM companies

**INVESTMENT PROFESSIONALS:
EVERYBODY EXPECTED TO LOSE**

Questions about current and future financial benefits for professionals working in the asset management industry resulted in quite interesting answers that can be differentiated by group. Overall, investment professionals can expect fewer financial benefits—but will end up at a level that is still very comfortable compared to international competition. Asset administrators expect the largest absolute decline in financial benefits, whereas asset managers are the most pessimistic group concerning the mid-term.

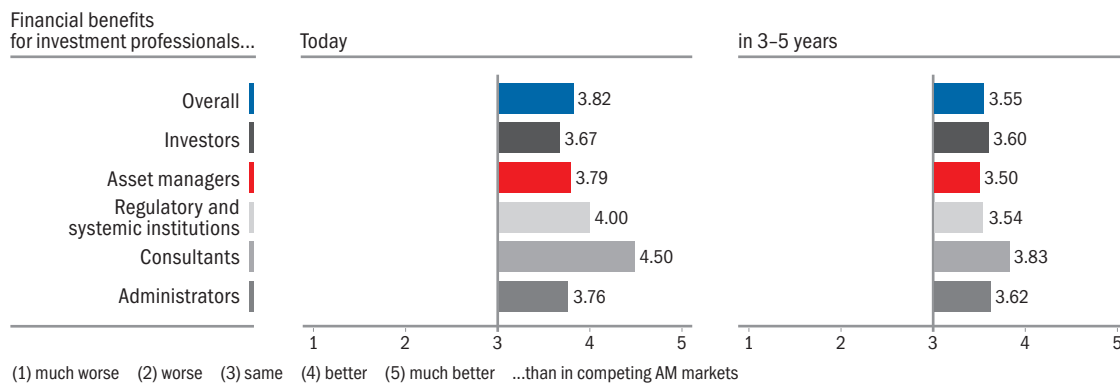


Figure 27: Financial benefits for AM professionals

9. BRAND—AN ASSET TO BUILD ON

When researching the phenomenon of ‘brand’, the study followed a scientific line of thought that considers brand as a combination of real product or service experience on the one side and associations with the product label on the other⁴. The three questions on branding were about:

Real experience:

- Satisfaction with investment performance, i.e., level and stability, judgment based on real experiences with Swiss asset managers⁵
- Satisfaction with client services provided, i.e., judgment based on real experiences with Swiss asset managers, administrators and auxiliary services

Associations:

- Associations when hearing the phrase ‘Swiss asset management’, i.e., general notions of quality, reliability, innovation, customer orientation, convenience

REAL EXPERIENCE: INVESTMENT PERFORMANCE IS OK, AM SERVICES ARE DETERIORATING

Both aspects of experience received above-average assessments for today. As far as investment performance is concerned (which is naturally rather critically judged by investors), this result may be regarded quite positively; even more so, since the expected future trend is slightly positive as well. On the contrary, the portion of brand made from real experience with asset management services starts from similar levels today, but is expected to fall back to an internationally mediocre standard.

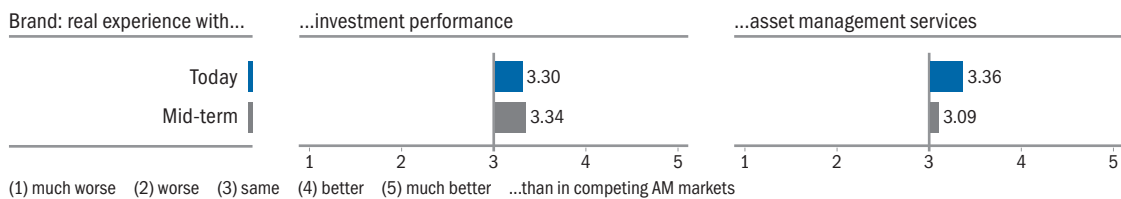


Figure 28: Real experience and expectations for investment performance and AM services and AM services

4) Prof. Dr. Christoph Burmann in: <http://wirtschaftslexikon.gabler.de/Definition/markenimage>

5) For purists, some could argue that this single aspect of performance and service is the “mother lode” question in our survey.

ASSOCIATIONS:

The term association, for the purposes of the survey, was used for the kind of emotional connotation which the phrase ‘Swiss asset management’ carried for the participants in addition to its explicit meaning—again, with a level of 3 as the internationally comparable standard.

Concerning these associations, there is good news:

1. When hearing the term “Swiss asset management”, all participating groups have associations which are at least as positive for competing markets.
2. The most enthusiastic group are the investors—and they are key to the industry’s success. The overall score of 3.31 reflects a comfortable international level.
3. Four out of five groups (with exception of regulatory and systemic institutions only) predict a further improvement for associations with the Swiss asset management industry, and the expected overall level of 3.57 is a rather high figure—with only a small degree of dispersion among the various groups (cf. Fig. 29).

Interestingly, smaller asset managers (with assets under management < CHF 5 bn) display stronger positive associations here than the overall sample and exceed their group’s average scores shown above by 22 basis points as of today and by 20 basis points for the mid-term. This blends well in with the above-average “quality” score (2.15) and the below-average “urgency” score (1.71), which this sub-group attributed for the Brand aspect in the context of summary questions (covered in the next chapter).

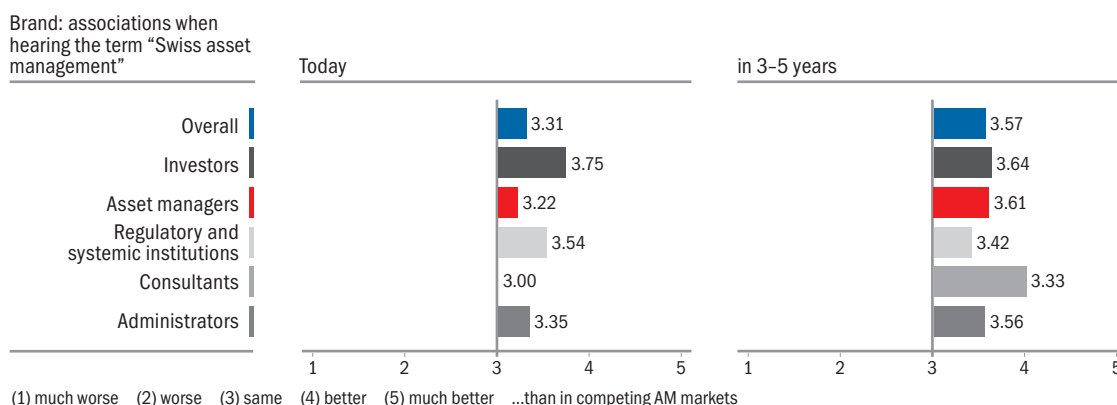


Figure 29: Associations when hearing the term “Swiss asset management”

10. EXPANDING THE PICTURE

Apart from the standardized sets of questions asked on each of the six topical areas represented by the sub-indices aggregated into the overall SAM-X, additional insights were gained by means of asking for overarching and summarizing evaluations. These serve as a means to contrast and challenge the results gathered thus far.

10.1 PATTERN OF STRENGTHS AND WEAKNESSES

Towards the end of the survey, participants were asked about the level of importance and urgency of each of the six topical areas bundled into one of the SAM-X sub-indices. Put simply, issues which are important and urgent matter most to the industry—and should ideally be served with the best qualities the industry has to offer. Thus, contrasting the results of these evaluations with the rankings of today's and mid-term SAM-X sub-indices reveals some interesting insights (see figure 30):

- Infrastructure turned out to rank highest within the SAM-X methodology and thus represents the industry's best asset—unfortunately, this link of the value chain is relatively insignificant, since it is considered neither important, nor urgent.
- Solutions, on the contrary, exhibit the poorest quality according to SAM-X but deserve considerably higher attention in light of importance and urgency attributed by participants—and especially in light of the fact that the groups of investors attribute by far the highest urgency here.

- Regulation and standards do really matter according to the answers to the summarizing questions, but received just mediocre evaluations in the SAM-X world.
- Financial benefits are rather attractive today and still somewhat attractive in the mid-term according to SAM-X, but both in terms of importance and urgency they are the aspect that matters the least. However, we know—through common sense—that this is the matter which matters ... most!
- Only two aspects were seen to have adequate quality:
 - Brand, where a somewhat mediocre SAM-X ranking corresponds to a fairly low importance and urgency.
 - Competence, which ranks highly in the SAM-X methodology as well as in terms of importance and urgency.

Considering all of this: the pattern of relative strengths and weaknesses of the Swiss asset management industry does not really match the needs.

RANK	QUALITY		IMPORTANCE	URGENCY
	SAM-X (TODAY)	SAM-X MID-TERM	AS ASKED	AS ASKED
1	INFRASTRUCTURE	INFRASTRUCTURE	COMPETENCE	REGULATIONS & STANDARDS
2	COMPETENCE	COMPETENCE	REGULATIONS & STANDARDS	COMPETENCE
3	FINANCIAL BENEFITS	BRAND	BRAND	SOLUTIONS
4	REGULATIONS & STANDARDS	REGULATIONS & STANDARDS	SOLUTIONS	BRAND
5	BRAND	FINANCIAL BENEFITS	INFRASTRUCTURE	INFRASTRUCTURE
6	SOLUTIONS	SOLUTIONS	FINANCIAL BENEFITS	FINANCIAL BENEFITS

Figure 30: Does Swiss AM have the right qualities?

10.2 CHALLENGING THE OPTIMISM

As shown so far, the Swiss asset management industry—and asset managers in particular—exhibits a lot of self-confidence as expressed in high levels of today’s and mid-term SAM-X and its sub-indices, which are aggregated from answers to standardized sets of questions. Towards the end of the survey, several overarching questions were asked. One of them was the following, all-inclusive statement:

“Switzerland has what it takes to become a leading location for global asset management”

Participants’ evaluations are shown in figure 31. As the answer pattern is significantly weighted towards agreement, the overall optimism is confirmed. However, some surprising group-specific patterns emerge.

Asset administrators and consultants to the industry are predominantly split into either followers or deniers of this statement. Asset managers have rather strong fractions which somewhat or strongly disagree with it. Regulatory and systemic institutions are generally positive and avoid an extremely negative stance. Investors, however, are the only group that actually denies the statement on the whole and is generally negative. All in all, this analysis reveals additional “hidden doubts” concerning the industry’s competitiveness—more than SAM-X tells on a stand-alone basis.

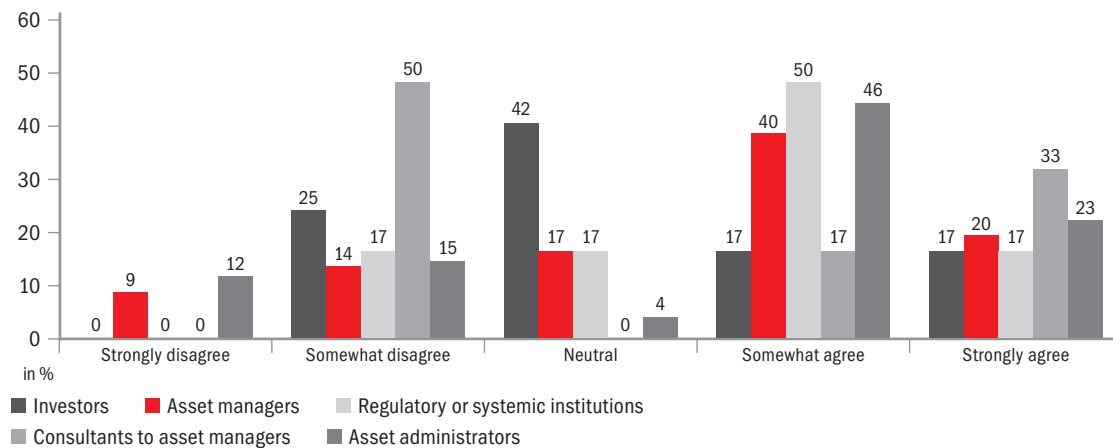


Figure 31: Does Switzerland have what it takes?

Another overall question asked participants to evaluate the “quality” of Swiss asset management on a scale from 1 (worse than competing markets), 2 (same as competing markets) or 3 (better than competing markets)—i.e., the answer can thus be directly contrasted with the overall level of SAM-X and its sub-indices. Surprisingly, the result looks different: while SAM-X and all six topical areas surveyed by means of standardized questions displayed an above-average international quality, the answers to this overall question indicate that just three of the six areas are ahead of competition, and three of them are behind (cf. Fig. 32).

Also, the competitiveness ranking of the six topical areas is not completely mirrored by the SAM-X sub-indices—infrastructure and competence are confirmed as Swiss asset management’s top assets, however.

A last perspective on the condition of the Swiss asset management industry is the question on participant’s satisfaction to work in, with, or for the industry, and at the end of this report, a very positive picture prevails as can be clearly seen in figure 33.

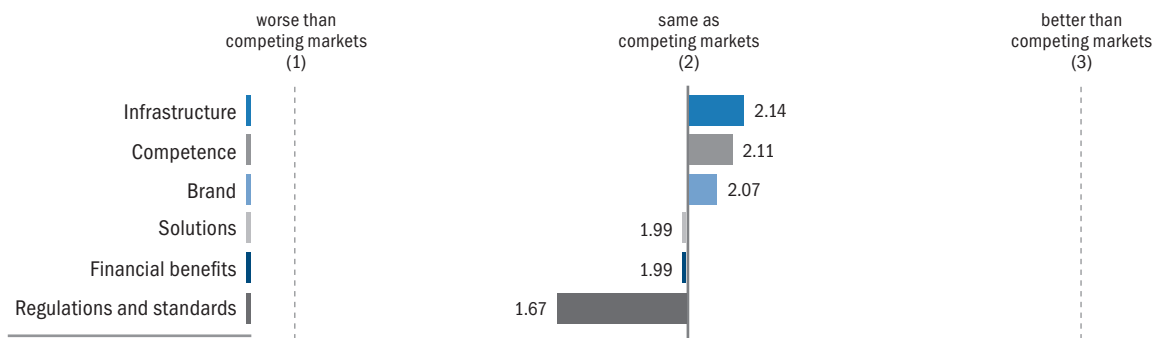


Figure 32: Quality according to control question

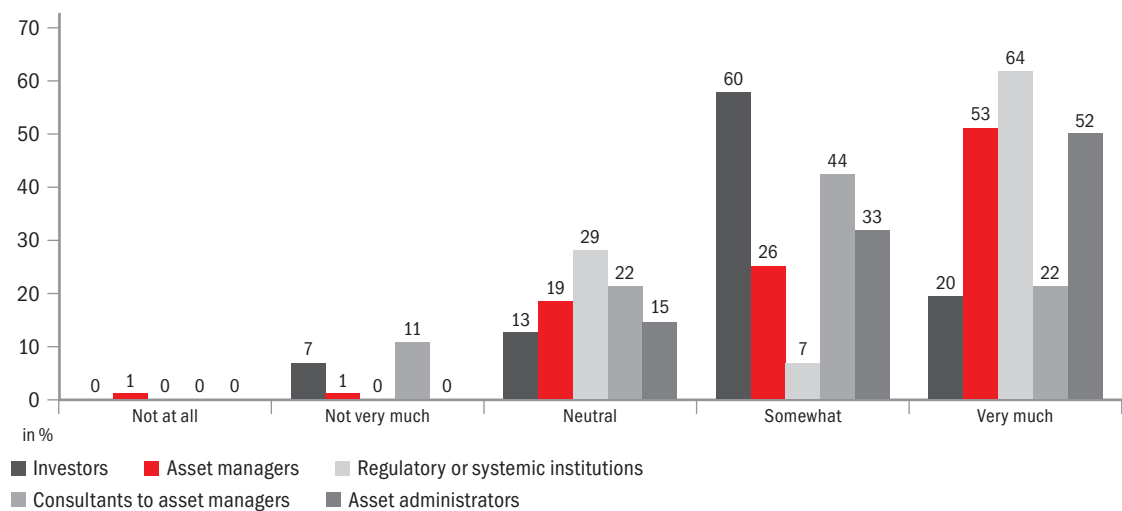


Figure 33: Satisfaction of working in, for or with the asset management industry

11. CONCLUSIONS

“Be the change that you wish to see in the world.”
Mahatma Gandhi

zeb and SFI conducted the most comprehensive survey of the Swiss asset management industry to date with over 500 asset management executives participating.

Our conclusions are straightforward, and although seemingly simplistic, are very challenging to implement given the current market situation—but they are necessary for the Swiss asset management industry to grow into the potential we see for the industry.

1. Asset management companies must undergo a deep strategic review of their business and operating models in order to streamline: you cannot be all things to all segments of the market. Companies must identify their strengths within the value chain and focus on building these capabilities. This view is supported by our findings regarding the relatively low tendency of Swiss asset managers to outsource: with the lack of a clear strategy and strong USPs, most Swiss asset managers attempt to cover most of the value chain as a “jack of all trades”. This “strategy” is not working, and definitely will not enhance competitiveness in the future. Swiss asset managers should focus on outsourcing aspects of the value chain to companies which are better at these tasks than the asset management companies. This holds especially true for non-core asset management activities such as custody, accounting or reporting, which is fully in line with the white paper’s claim.
2. Swiss asset management companies state that they are best in the areas of infrastructure, competence in asset management and the financial appeal of the location—and finally, in solutions and products. These strengths do not match with what Swiss asset management companies believe to be important and urgent areas of development: competence, regulatory standards, solutions and products. This incongruence must be dealt with head-on by individual companies. Swiss asset management lacks a clear USP.

Conclusions of this are obvious for all asset management companies. Product innovation plays the most prominent part. The changed environment with more investable assets overall, more market volatility and challenging interest rates forces asset managers to innovate including digitalization. In comparison to other financial service industries, asset management is lagging behind in digitalization. Asset management companies must take major steps in this direction—but, also in processing, distribution or client interface.

3. The playing field is not level. It is easier for non-Swiss companies to do business in Switzerland than it is for Swiss companies to do business abroad. Swiss regulatory authorities must tackle this issue immediately. At the same time, Swiss companies must focus, be competitive in their fees, be leaders in client experience, be innovative in production, focus more on proactive than reactive management in order to be more attractive asset managers in the global market and also enhance employer market attraction for finding and retaining the best professional talents.

Although there is no official AuM data managed by asset management companies, by inference from Swiss banks, and despite poor market performance, we estimate that AuM for asset management companies have increased only marginally since the 2008 crisis. This should also send warning signs to Swiss asset management companies—as the rest-of-world’s AuM figures even reveal substantial increases during this period.

The study on the current position and the development of the Swiss asset management industry will be updated periodically in order to track its development.

APPENDIX

TARGETED GROUPS OF PARTICIPANTS

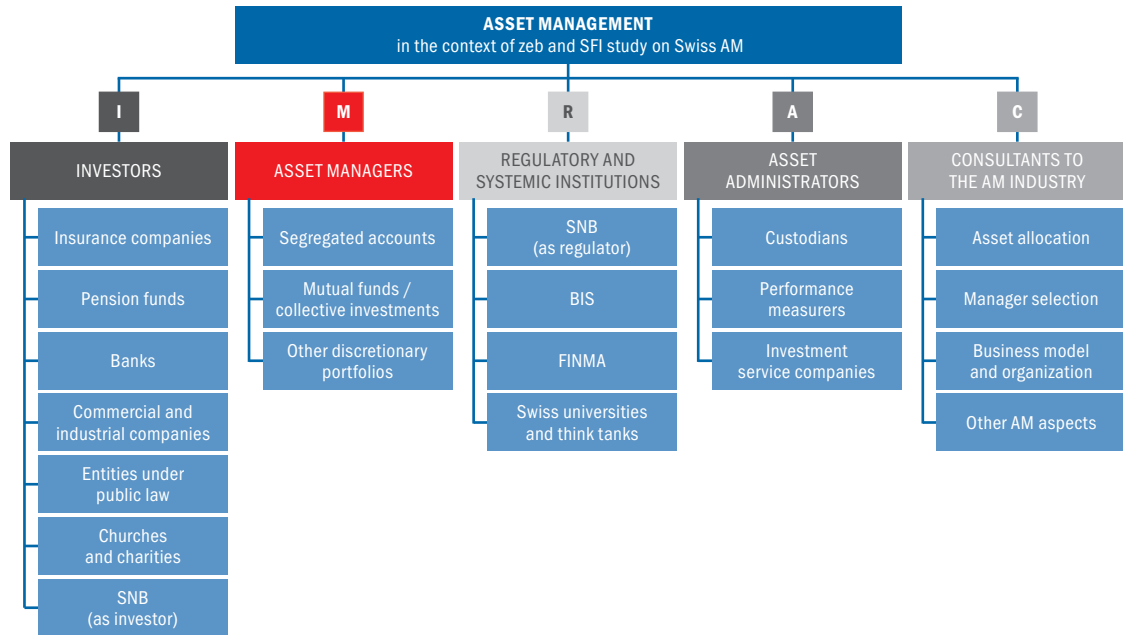


Figure 34: Targeted participants

VALUE CHAIN MODEL

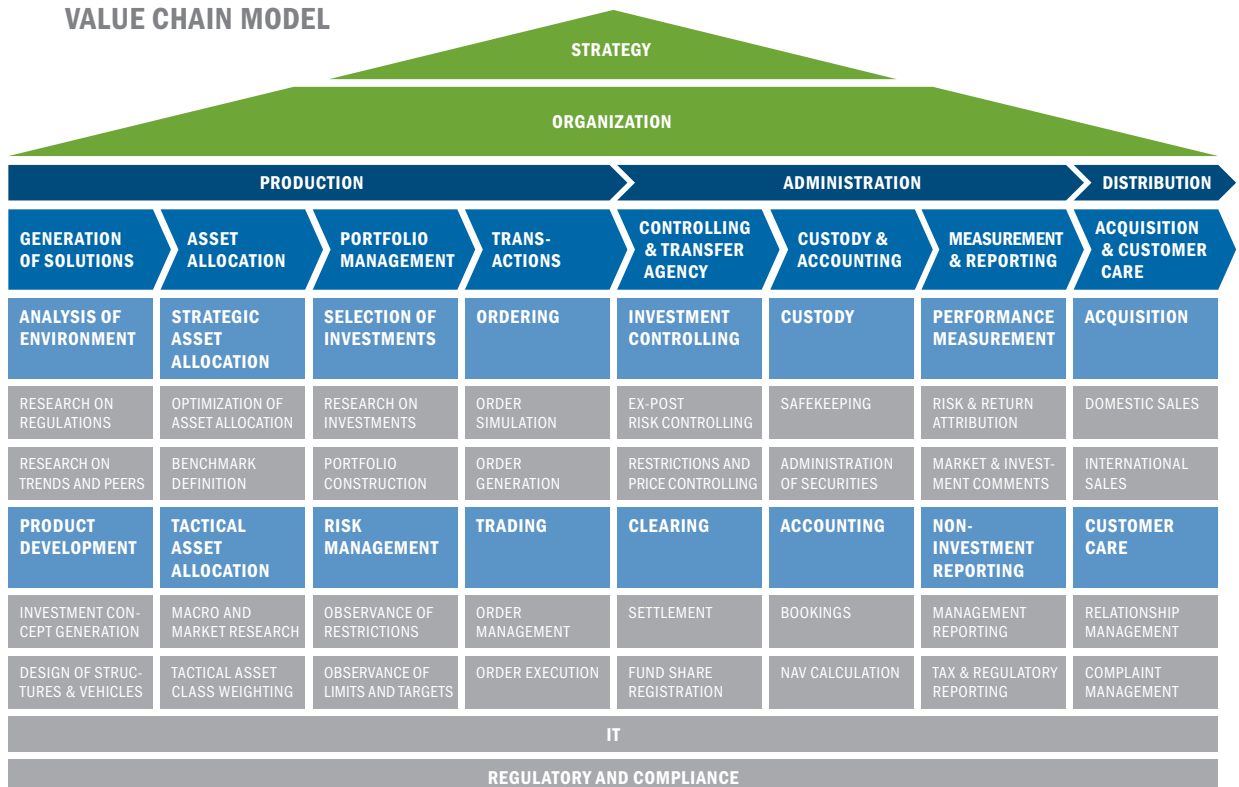


Figure 35: Value chain model













BODY OF QUESTIONS

The following questions were asked during the survey. The context indicates what it pertains to, either the value chain section covered by it or the Swiss asset management industry in general, and the column “groups” shows in blue color, which of the five participating groups the respective questions were asked to. I refers to investors, M to asset managers, R to regulatory and systemic institutions, A to asset administrators and C to asset management consultants.

All topical questions were asked with the perspective of comparing Swiss asset management with competing markets abroad. In general, questions related to the six topical SAM-X sub-index areas including outsourcing were to be answered twice: firstly, from today’s perspective, and secondly, with regard to the mid-term future. All other questions were to be answered in the manner as displayed below.













Context	Question	Groups
Opening question		
Answer format: NOT AT ALL < NOT VERY MUCH < OK > SOMEWHAT > VERY MUCH		
Swiss AM industry in general	How do you like working in / with / for the Swiss asset management industry?	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Regulations and standards		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + “don’t know” category		
Swiss AM industry in general	Ease of market access for international asset management companies into Switzerland (business permit, product approval processes, etc.)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Ease of market access for Swiss asset management companies into foreign asset management markets (business permit, product approval processes, etc.)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Ease of market access for foreign asset management professionals into Switzerland (work permit, bureaucracy, compatibility of social insurance system, etc.)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Clarity of asset management-specific legislation (consistency and consolidation level of laws, directives and further regulations)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Collaboration with asset management-specific legislators (ease and speed of communications, extent of involvement of asset management players into legislation process via consultations, etc.)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Effectiveness of asset management-specific legislation (adequacy of balance between restrictiveness of legislation and operability and flexibility for asset management players)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Availability and acceptance of self-regulation for asset management players (best practices, code of ethics, code of conduct, etc.)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Compliance with laws regulating asset management companies (organization, processes, quality of resources, capital)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Investor protection and transparency (quality of performance measurement, investment reporting and disclosure of charges, fees and kickbacks as well as of conflicts of interest)	<input checked="" type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C

Investors
 Asset managers
 Regulatory or systemic institutions
 Asset administrators
 Consultants to the AM industry
 not asked

Context	Question	Groups
Infrastructure		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + "don't know" category		
Swiss AM industry in general	Availability and quality of services supporting asset management (e.g. auditors, lawyers, tax specialists and asset management consultants)	I M R A C
Swiss AM industry in general	Availability and quality of technical infrastructure (exchanges and organized markets)	I M R A C
Competence		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + "don't know" category		
	Clarity of your corporate strategy	I M R A C
	Efficiency of your organization (processes, IT, structure, resources)	I M R A C
	Strength of your compliance culture	I M R A C
	Innovation of your investment solutions	I M R A C
	Power of your international institutional sales force	I M R A C
	Power of your international institutional sales force	I M R A C
	Quality of your strategic asset allocation	I M R A C
	Quality of your tactical asset allocation	I M R A C
	Quality of your investment research	I M R A C
	Quality of your risk management (concepts and transactions)	I M R A C
	Accuracy of your investment controlling	I M R A C
	Quality of your performance measurement and reporting	I M R A C

Context	Question	Groups
Competence		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + "don't know" category		
	Clarity of their corporate strategy	I M R A C
	Efficiency of their organization (processes, IT, structure, resources)	I M R A C
	Strength of their compliance culture	I M R A C
	Innovation of their investment solutions	I M R A C
	Power of their domestic institutional sales force	I M R A C
	Power of their international institutional sales force	I M R A C
	Quality of their strategic asset allocation	I M R A C
	Quality of their tactical asset allocation	I M R A C
	Quality of their investment research	I M R A C
	Quality of their risk management (concepts and transactions)	I M R A C
	Accuracy of their investment controlling	I M R A C
	Quality of their performance measurement and reporting	I M R A C
Swiss AM industry in general	Knowledge exchange between asset management companies, academic institutions and asset management-related companies	I M R A C
Swiss AM industry in general	Availability and quality of asset management-related educational programs	I M R A C

■ Area(s) asked about
 ■ Investors
 ■ Asset managers
 ■ Regulatory or systemic institutions
■ Asset administrators
■ Consultants to the AM industry
 not asked

Context	Question	Groups
Competence–outsourcing strategy		
Answer format: OUTSOURCING ABROAD FOR QUALITY REASONS < OUTSOURCING ABROAD FOR COST REASONS < NOT OUTSOURCING > OUTSOURCING INTO CH FOR COST REASONS > OUTSOURCING INTO CH FOR QUALITY REASONS + “don’t know” category		
	Are you outsourcing product development?	I M R A C
	Are you outsourcing strategic or tactical asset allocation?	I M R A C
	Are you outsourcing investment research?	I M R A C
	Are you outsourcing risk management?	I M R A C
	Are you outsourcing investment controlling?	I M R A C
	Are you outsourcing accounting?	I M R A C
	Are you outsourcing performance measurement and reporting?	I M R A C
Solutions		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + “don’t know” category		
	Competitiveness in traditional actively managed asset classes (e.g. investment grade bonds, developed market equities)	I M R A C
	Competitiveness in passive management (e.g. index funds, passive ETFs, tracking strategies)	I M R A C
	Competitiveness in special investment strategies (e.g. absolute return, capital-protected funds, hedge funds, sustainable investing)	I M R A C
	Competitiveness in alternative asset classes (e.g. public / private infrastructure investments, high yield bonds, emerging market bonds and equities, real estate, renewable energies, private equity, commodities)	I M R A C
	Availability of internationally accepted investment vehicles (individual, collective and tailored solutions plus flexibility of respective legal framework)	I M R A C

Context	Question	Groups
Financial benefits		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + "don't know" category		
Swiss AM industry in general	Financial benefit for investors in Switzerland (taxes on vehicles and transactions, stability of CHF, political and economic stability of Switzerland)	<input type="checkbox"/> I <input type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Financial benefit for asset management companies in Switzerland (tax regime, political and economic stability)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Financial benefit for local and international professionals (income after taxes, environment, living quality, political and economic stability)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Brand		
Answer format: MUCH WORSE < WORSE < SAME > BETTER > MUCH BETTER than international competition + "don't know" category		
Swiss AM industry in general	Satisfaction with investment performance (level and stability; judgement based on real experiences with Swiss asset managers)	<input type="checkbox"/> I <input type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Satisfaction with client services provided (judgement based on real experiences with Swiss asset managers, administrators and supporting services)	<input type="checkbox"/> I <input type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Associations when hearing the phrase "Swiss asset management" (general notions of quality, reliability, innovation, customer orientation, convenience)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Importance, quality and urgency of SAM-X sub-index areas		
Answer formats indicated in brackets below questions		
Swiss AM industry in general	Select your evaluation for the importance of regulation (IMPORTANT < VERY IMPORTANT > ESSENTIAL)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the urgency of regulation (NOT URGENT < URGENT > VERY URGENT)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the quality of regulation (WORSE < SAME > BETTER) than international competition	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the importance of infrastructure (IMPORTANT < VERY IMPORTANT > ESSENTIAL)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the urgency of infrastructure (NOT URGENT < URGENT > VERY URGENT)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the quality of infrastructure (WORSE < SAME > BETTER) than international competition	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the importance of competence (IMPORTANT < VERY IMPORTANT > ESSENTIAL)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the urgency of competence (NOT URGENT < URGENT > VERY URGENT)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the quality of competence (WORSE < SAME > BETTER) than international competition	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the importance of solutions (IMPORTANT < VERY IMPORTANT > ESSENTIAL)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the urgency of solutions (NOT URGENT < URGENT > VERY URGENT)	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C
Swiss AM industry in general	Select your evaluation for the quality of solutions (WORSE < SAME > BETTER) than international competition	<input type="checkbox"/> I <input checked="" type="checkbox"/> M <input type="checkbox"/> R <input type="checkbox"/> A <input type="checkbox"/> C

■ Area(s) asked about
■ Investors
■ Asset managers
■ Regulatory or systemic institutions
■ Asset administrators
■ Consultants to the AM industry
 not asked

Context	Question	Groups
Swiss AM industry in general	Select your evaluation for the importance of financial benefits (important–very important–essential)	I M R A C
Swiss AM industry in general	Select your evaluation for the urgency of financial benefits (not urgent–urgent–very urgent)	I M R A C
Swiss AM industry in general	Select your evaluation for the quality of financial benefits (worse–same–better) than international competition	I M R A C
Swiss AM industry in general	Select your evaluation for the importance of brand (important–very important–essential)	I M R A C
Swiss AM industry in general	Select your evaluation for the urgency of brand (not urgent–urgent–very urgent)	I M R A C
Swiss AM industry in general	Select your evaluation for the quality of brand (worse–same–better) than international competition	I M R A C
Competing markets (open question)		
Swiss AM industry in general	When asked about the “asset management industry outside Switzerland”, which countries do you immediately think of?	I M R A C
Summary (open question)		
Swiss AM industry in general	Does Switzerland have what it takes to become a leading location for global asset management?	I M R A C
Comments (open question)		
Swiss AM industry in general	Do you have additional comments on Swiss asset management and/or our survey?	I M R A C

■ Investors ■ Asset managers ■ Regulatory or systemic institutions
 ■ Asset administrators ■ Consultants to the AM industry

Figure 36: Body of questions

RESEARCH PARTNERS IN A NUTSHELL

zeb is Europe's leading specialized management consultancy for the finance industry and has successfully supported many asset managers, administrators and investors in analyzing and optimizing corporate strategy and profitability, investment product range, asset allocation, investment and risk management processes, organization and IT since its foundation in 1992. Its broad experience as well as deep academic roots and tradition in researching the finance industry provide a strong basis for conducting this new survey.



SFI is the leading provider of research, knowledge transfer and education for the Swiss finance industry and a hub between academia, financial institutions and practitioners. Since its foundation in 2006, SFI has been a leader in asset management, both in research as well as education. Topics such as asset pricing, risk premiums or behavioral and incentive aspects for investments are of key interest for SFI professors, PhD students and practitioners. Based on their strength in this discipline, SFI has decided to dedicate this year's SFI initiatives to asset management.

swiss : finance : institute

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