EXECUTIVE INTERVIEW: Success Story

Contrary to expectations, since it was set up seven years ago, Pictet Funds has grown rapidly and is now a major retail funds player. CEO Laurent Ramsey tells *Angelique Ruzicka* how it was done

Since it's inception in 2000, Pictet Funds, owned by the prestigious Swiss bank, has expanded rapidly. It is currently located in over ten major cities throughout Europe and Asia and it holds around e36.1bn in assets under management. Laurent Ramsey, now chief executive officer, was head of marketing and sales at Pictet in 2000, and he recalls the wariness surrounding the new initiative. "The perception within the group was that Pictet Funds was perhaps putting the exquisite image of the bank in danger. We were distributing with a retail image so it was a challenge to change perceptions and to create a business out of it. Now we have 170 people and over CHF60bn [e36.1bn] in assets under management, so it's been a fantastic story," says Ramsey.

Pictet Funds is one of four business lines within Pictet & Cie; the others include private banking, global custody and institutional asset management. But Ramsey feels that this doesn't count against the funds business and that there is no conflict of interest. "The asset management business offers the manufacturing capability and we represent the distribution capability. The fact that we have two different business lines means that we have the right equilibrium in decision making between offer and demand. We are investment led but we listen to the market and this is a great advantage."

As time went by the initial scepticism washed away and now Ramsey boasts of the merits of Pictet's private partnership structure. "Private partnership is one of the key success factors of the group. In 2002 we went before the partners because we wanted to distribute funds in Spain. To be a serious contender we felt we needed to go local. In the middle of the bear market the partners agreed to it, and I don't think there are many listed companies that would have been able to do the same because of shareholder pressure, but our partners had the long-term vision and plan. As a result we found very good space and people because everybody was pulling out. It sent a very good signal to the market as we were coming in despite the fact that [other firms] were leaving."

Working for the Swiss bank has provided Ramsey with a wealth of international experience. He spent two years in Geneva after joining the firm in 1993, but was then sent to Asia to work as a senior investment manager. He describes his time in Asia as one of the most challenging times of his career. "Nobody knew Pictet and no one knew how to spell it. I started in business development on the asset management side and the focus market was Australia. When you are cold calling Australia and you are all alone and 26 years old it can be challenging but very exciting," says Ramsey.

Pictet is one of the few European financial institutions to create a successful business in Japan. Ramsey says there are several factors that contributed to this success, including building good relationships with over 40 regional banks. But probably the most important factor was launching products that people wanted.

"Clients typically did not invest in fixed deposits or bond funds; they wanted a bit more growth. However they are also defensive investors who are very keen on income distribution and coupons. And from that came the idea of launching a global income stock fund which invests in utilities and equities with high monthly dividends."

Pictet's current aim in Asia is to build distribution in Hong Kong, Singapore and Taiwan. "We are looking at being fully operational this year with a fund registered in Taiwan by the end of this quarter and in Hong Kong by the end of the third quarter."

Going solo

Last year the sister business – Pictet Asset Management – obtained a qualified foreign institutional investor (QFII) licence from the China Securities Commission to allow it to invest in domestic Chinese securities. It will be a while before Pictet Funds can distribute funds in China, which doesn't yet allow foreign distribution. But further development in Asia could involve Pictet setting up a distribution network in Korea. Rival UBS Global Asset Management recently entered the Korean market by acquiring a 51% stake of one of Korea's largest asset management companies, Daehan Investment Trust Management Company, but Ramsey reveals that Pictet will not follow the same path. "We are looking at Korea but we are not looking at a joint venture, we have always grown organically."

When it comes to fund production Pictet has always been unusual in its offering and this is what sets it apart from competitors, says Ramsey. "We have expertise in very specific areas, such as emerging markets, theme funds, and local debt funds. So when a distributor looks at Pictet's offering versus another, they find some of ours far more interesting."

Offering funds that are contrary to what competitors provide has served Pictet well in the past. "At the end of the 90s we were one of the first to provide sector funds and everyone was talking about sector allocation so we had huge success there. There was a market correction in 2000 and then people wanted fixed income and we had a good track record in fixed income at the time. Pictet had the vision to say, 'We are in a bull market and it's going to turn around so we need a very good fixed income capability'. Then the market turned around in 2003 and people wanted emerging markets and we had a very good franchise."

The group's latest initiative is to cover the UK onshore market. "Over the next 12 months our aim is to increase our presence with many of the fund of funds groups, wealth managers and private banks in the UK. We are applying for distribution in the UK on all of our funds. Some, of course, will be more suitable than others. We believe the most suitable in the UK will be our emerging markets and sector funds."

Ramsey remains ambitious about increasing funds under management and wants to double assets under management every five years. But he acknowledges that there will be tough times ahead.

"If we look at what has been achieved in the past [growth] has been around 25%, but going forward our objective is 15% growth per annum without market effect," he says.

"These days you have to be mildly aggressive, it's dangerous to fall into the trap of thinking that exceptional years in the bull market have to be the objective going forward."

Tags: Front Office