Pictet Asset Services chief Briol sets the scene

Pictet is one of the most trusted financial services brands on the planet which counts for a lot in a year when some banks, including another famous Swiss name, have found themselves in trouble, writes **Luke Jeffs**.

With over half a trillion of assets under custody, Pictet Asset Services is big enough to be relevant but much smaller and, therefore, nimbler than some of the world's largest custodians who count their client assets into the tens of trillions.

For Marc Briol, Chief Executive Officer of Pictet Asset Services, however, this is very much part of the story – differentiation by quality of service rather than scale.

Speaking in London at the end of April, Briol told Global Investor: "We want somehow to be a predictable nice surprise, in the sense that people know what they get from us, which is a division focusing only on active investors. We want to be known as the European asset servicing boutique for active investors."

Pictet Asset Services is one of four divisions that makes up the Switzerland-based Pictet Group, with Wealth Management, Asset Management and Alternative Advisors.

The asset services arm draws on the Pictet tradition of actively managing investments: "Active investors are key. That is our legacy and heritage because that is where we come from, we are active investors ourselves so we think we have some proximity with active investors whether for private clients or funds."

But Briol is keen to stress his division is ring-fenced from the other businesses, which the chief executive said makes it a "pure play provider". "This model has the advantage of being completely clean in terms of conflicts of interest in that we are mutually exclusive, which is a very different positioning from our competitors. I respect their business model but we think it's complicated to explain to a talented fund manager or private banker that he is being serviced by his competitor. This is not the case with Pictet Asset Services."

Briol said there are no cross-subsidies between Pictet Asset Services and the other divisions of the group: "We position the offering at arm's length."

"From that perspective, the strategy will remain the same. We would also not contemplate taking over parts of competitors that would potentially exit some markets or segments. We would always tend to prioritise organic growth."

European focus

In terms of geographies, Briol said Pictet Asset Services is strong in French-speaking Switzerland and is making a push in the UK, German-speaking Switzerland, Paris and Monaco, partly for opportunistic reasons. "A lot of our competitors have exited the market," said Briol.

"If you think about the UK, there were major competitors who have, for very good reasons, refocused their efforts on other regions or segments. So we have positioned ourselves as an interesting alternative for managers who need some diversification for reasons of counterparty risk."

He added: "We are in London today and the number of talented managers you have here is just amazing. There is a lot we can do here, while there is a lot that we can improve on our platform to be more competitive. We will be proposing ISA by the end of the year, which is a key requirement for fund managers here."

Briol added: "The Pictet brand is our best salesman. We can capitalise on the excellent reputation established by asset management and wealth management for example. It is part of the coherent values that we apply in the asset services business."

In response to the question "How do you compete with the massive US custodians that spend billions on IT?", Briol said: "People may say we're too big for someone or too small for others but what matters is that we have the critical size to be credible and to be able to invest in the platform, technology and people but we are still small enough to remain agile and be able to listen to our clients.

"To paraphrase our senior managing partner: "We don't want to be the biggest but the finest". There is a

Pictet Asset Services in Numbers

6
Offices Worldwide

250
Full-time Employees

313
BN CHF Assets in Fund Services

556
Bn CHF Assets under Custody

Source: Pictet Group

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profound truth in that, in the sense that we must be credible for clients and I think we are. The awards that we consistently win show that we are consistently doing a reasonably good job.

"That said, technology is a must-have but it is not enough. Technology for the sake of technology is not interesting. One of the things we hear from clients is that they like the fact that our platform is good and that it is not changing every year. Another comment I find interesting is: "When we call you someone answers the phone" which shows that at some point, beyond a certain scale, it is difficult to keep the clients' attention," he added.

Many of Pictet Asset Services' larger rivals have spent the last years trying to replicate the systems and services that their clients offer in the hope that their customers will outsource these functions to the custodian, an effort that has been only partially successful. Briol is sceptical.

"We do not want to impose our technology solutions. We have all the custodial and fund administration functions on our platform PictetConnect but we would never cross the bridge by providing a portfolio management system, which is something that some of our competitors do. I am really not convinced about that.

"We put a lot of emphasis on interfacing with the clients' portfolio management system, to be a true partner rather than imposing solutions through a one size fits all approach."

Briol said his firm invests a lot in the platform and the interface, taking a "best-of-breed approach" that involves some inhouse development and some vendor software.

"There are certain things that we can do internally and there are certain things that we would buy external components and integrate them. It's really where we can add value that we would keep that internal. An example would be highly customised client reporting for big pension funds and that is something we would do internally."

In terms of human resources, Briol said the firm now has about 250 people in Switzerland, Luxembourg, the UK and Singapore where it has been hiring selectively.

A thread running though Briol's comments is that Pictet is focused on long-term, sustained growth rather than short-term trends, an objective it shares with its asset management clients.

He said: "Another blessing we have as an unquoted company is that we have time in front of us. There is a slide that we show when pitching, which shows the evolution of assets in the group, so that goes up and down, and the line of the staff which just keeps going north. That shows that in tough times, like we have now, we're not firing anyone. We're sticking to the model. We are building loyalty with

Briol on Pictet Asset Services and ESG:

As a financial services firm of more than 200 years' standing, Pictet is a strong exponent of sustainable investing. Marc Briol, the chief executive of Pictet Asset Services, said his firm is working hard with its clients to help them meet their environmental, social and governance (ESG) objectives.

He said: "We are convinced that ESG matters. Our firm is committed to the idea of longer term investing based on resilience. ESG ties in social as well and we have talked about staff retention which is a core part of our ESG values.

"For institutional investors, we provide all the reporting and advise around how they can comply with the regulations, particularly in Switzerland where we are dominant in the institutional segment. In Luxembourg, we engage with all the Article 6-8-9 and that's where the added-value starts."

Articles 6, 8 and 9 are the most commonly used fund classifications under the European Union's Sustainable Finance Disclosure Regulation (SFDR), with Article 9 being the most demanding.

Briol said: "Typically, we engage in discussions with clients and we did have some tough discussions with clients at the outset because all clients wanted to go to 8 or 9, and we had those conversations where we thought that may not have been a good idea because of their investment style. In effect, we had a lot of clients that went for something else, namely a lower score, which I think was good for them."

Pictet Asset Services offers the standardised ESG reporting that firms require and has worked also on various ESG research projects.

"There is an initiative that we supported in Switzerland called Enterprise for Society with the Swiss Federal Institute of Technology Lausanne (EPFL), the University of Lausanne and IMD Business School to set up a new centre to think about the impact of climate change," Briol said.

"We subsidised an academic paper on what we think of important themes such as: "Is it better to exclude or engage?" "What are the impact on the portfolio when you exclude or engage?" We were really trying to find objective material to engage with our clients."

On the relative effectiveness of engagement and exclusion, Briol said: "If I think about the pension funds that we have, they typically favour engagement over exclusion where they might set a deadline for any transformation to be effective. If this does not happen, the conviction is that naturally those investments would not bear any value residually so they would progressively be exited from the portfolio."

As a custodian to client assets, there is, of course, only so much that Pictet can do to promote responsible investing. "We have convictions as a bank but we can't exclude investments from our client portfolios. So it's more about engaging and providing them with transparency and a different perspective," Briol said.

Asked if ESG has lost some momentum due to the European energy crisis linked to the Russian invasion of Ukraine, Briol believes these events are testing firms' commitments.

He said: "I think now opportunism is over. A lot of people were just taking advantage of this easy label but now the industry is becoming more stringent and that is a positive development. That said, I think the acid test is ahead of us.

"For that last 10-15 years, everyone had the tailwind effect and being virtuous was not something that had a price. Now it is changing so it is going to be interesting to see going forward how those convictions stand the test in terms of performance. The jury is still out on that."

Briol said the regulatory pressure around responsible investing is not going to ease up, however, and that will ultimately be telling: "It is a mixture of bottom-up pressure from clients, raising questions and I think that will accelerate with the new generation so that will only accelerate. And there is top-down pressure from the regulator. Nothing is realistically going to happen unless there is pressure from the regulator and they will continue to apply that." ■

the staff which in turn build loyalty with the clients, and that is part of the culture as well."

Briol said he is present in client pitches and he thinks that is important: "Managing partners get involved with clients and I think that is central to the model. If you want to properly manage an organisation, you need to feel the heat so to speak and be there not only for good discussions but also the difficult discussions. It is important for me to get feedback from the field, to hear people complimenting us or complaining about something that could be improved is central to me. That is the ultimate acid test."

And talking of what is important to clients, Briol has a clear understanding of his firm's role: "We are an asset servicer so we need to focus on getting the basics right. We want our clients to focus on Alpha generation and we take care of the rest. So that's what we're trying to do and central to that is the idea of the one-stop-shop. So that is a modular, comprehensive offering where people can pick-up custody, fund administration, transfer agency, ManCo companies, trading services. Making the lives of our clients easier is central to us."

Most asset managers have had a mixed three years since COVID but this has not translated into client turnover for Pictet Asset Services, said Briol. "If firms are facing fee-compression, clients might renegotiate but if people are only going for the cheapest, we probably would not be the right provider so it's probably not the right partnership. What we see generally is that people are quite loyal, particularly when they are going through tougher times with performance or people are reimbursing their money from the fund, then we will stick to our guns. We have the patience."

The near collapse in March of Credit Suisse and its subsequent acquisition by UBS shocked the banking world, which could have long-term implications for the industry, Briol said.

"Globally, we have been through turbulent times, both in Switzerland and other parts of the world as well. That has an effect. The negative effect is that the perception is that the banking sector is unsound. That is a concern."

Briol: "We have never embarked on a takeover, I think we'd be bad at that because it's not in our DNA. What we do is organic growth through the selective inclusion of excellent talent."

Briol added: "It is never an opportunity for us to rejoice when competitors are in difficulties because we need competition based on healthy arms-length friction between actors. But the reality is that what we do puts us in a strong position when there is instability in the market. People are looking for stability so they can focus on their core business of managing portfolios. They don't want to be distracted by: "Is my provider going to change his priorities?""

Briol is right that Pictet's founding principles are attractive in times of uncertainty, nor are they about to change.

The chief executive concluded: "We have been independent for some time now, over 200 years, and we want to continue to be independent and to control our own fate. We have never embarked on a takeover, I think we'd be bad at that because it's not in our DNA. What we do is organic growth through the selective inclusion of excellent talent." ■