

EXECUTIVE INTERVIEW: Richard Wohanka, UBP



Richard Wohanka was at the helm of Fortis Investment Management during its ABN Amro merger and the subsequent nationalisation of Fortis Bank. He now faces new challenges at Swiss bank UBP as it rebuilds its brand and realigns its strategy, writes *Nick Fitzpatrick*



Fund management firms were not struck quite as violently as the banks in the recent financial meltdown, but where the maelstrom did hit, Richard Wohanka was right there.

At the beginning of the crisis Wohanka was chief executive of Fortis Investment Management, a member of the huge Fortis financial group that was partly nationalised by the Belgian and Dutch governments as the sub-prime problem unfolded in its banking business.

Fortis's asset management operation was still viable and had even made an acquisition of ABN Amro's investment management operation in October 2007 before state intervention in its parent bank.

Therefore Wohanka's last job at Fortis was to oversee this integration. It was bloody: 500 redundancies occurred among the 2,900 combined staff.

After leaving Fortis, where he had been CEO since 2001, Wohanka reemerged at Union Bancaire Privée (UBP), a Swiss private bank and asset manager based in Geneva, in October 2009. UBP was itself emerging from the financial crisis with battle scars. Before Wohanka arrived, the bank was a victim in the Bernard Madoff scandal.

Wohanka's appointment, plus those of several other senior executives recently including a chief risk officer, takes place as the bank adapts to the financial crisis and recovers from Madoff. Wohanka is now CEO of UBP's combined asset management division, which covers long-only products, and its formerly separate alternatives group, which includes hedge funds. His role across the merged units is a newly created one.

The combination signals how UBP, which had CHF81.6bn (€54bn) of assets under management at the end of June 2009, is itself adapting to the broader affects of the financial crisis.

At the time of Wohanka's appointment, Guy de Picciotto, CEO of UBP, said – naturally – that he was pleased with his new hire and that Wohanka's "global vision, his management skills and his long experience in international finance and asset management are a major advantage for our development strategy".

The de Picciottos own UBP and the development strategy that Guy de Picciotto speaks of focuses on rebalancing the bank's investment management client base with the product offering of the two merged units. The asset management business primarily raised funds from wealthy private clients, while the alternatives unit was more widely distributed among private clients, institutions and the wholesale market, says Wohanka.

"In the sell-off there was a reduction in all parts of the alternatives group," he tells Funds Europe. "The family wants to rebalance the business going forward so that asset management makes a more important contribution to the bank by ensuring the product is better distributed among those client bases."

As a result of this, Wohanka anticipates spending more on the asset management (ie, long-only) business than alternatives. "We will end up spending more on asset management in future than we've done in the past because we want to invest in its growth."

As well as creating a more stable earnings base, he says this is also about extending advice and capability to the full client list.

"Private banking is about either the safe keeping of money or truly managing money for clients to give them the best return. UBP has always been about the latter and so we want to build out the asset management business to more clients."

It is the first time that Wohanka has worked for a private bank, but he already held views about them. One is that he feels these banks should offer a good, homegrown advice service. This means that investment in the asset management business will increase internal expertise. Like many private banks, UBP uses "a lot" of external managers to support products.

"We won't discard external managers and they will not be scaled back, but we will be growing the in-house business."

Lest UBP's alternatives department or its external providers should feel neglected – and he's clearly keen to see that they're not – they should remember that UBP was a pioneering investor in hedge funds back in the 1970s and the bank is hardly likely to write this out of its history now. They should also note that Wohanka feels there is currently a "very clear revival of interest" in the fund of hedge funds sector due to market conditions.

"There are periods when hedge funds should be making good returns and periods when they're not. Canny investors realise that now is a good time to enter hedge funds – particularly with severe dislocation in markets."

This dislocation means institutions will continue and even increase their programme of hedge fund allocations, believes Wohanka, while private clients remain, largely, out of the market.

"Private clients will take longer to get back into hedge funds," he says.

Wohanka is also very positive about emerging markets – "the level of investment by institutions and individuals in emerging markets is not what it should be" – but he is against impressing too many investment views on managers within the organisation.

"I'm a fanatical believer that a fund management company should not let its house view determine everything. I believe in having one asset allocation view, but not that every single unit must apply this view to all product lines. The separate units need a high degree of autonomy.

"If you think oil will go up in price, then not every portfolio would need to be long on oil."

Strong relationships

A big difference between working in a private bank and somewhere like his former place is the strength of bond between the family-run business and its clients. "It's a different type of relationship that you get with an entrepreneurial family as opposed to a corporation," he says.

Wohanka says that a lot of UBP assets have stayed with the bank despite the Madoff affair, and that this is a testament to the strong relationships that UBP, as well as other private banks, can foster.

"The exposure of UBP clients to Madoff funds represented less than 1% of the total assets under management of the bank, which itself had no own-account investments in the Madoff group," he points out.

In the first half of 2009, UBP, which made a profit of CHF167m at June 30, made a CHF110m provision to an incentive scheme for eligible clients affected by the fraud.

Wohanka's appointment is a part of the bank's brand rebuilding exercise following the Madoff scandal by bringing in a new wave of what Wohanka calls "strong people".

In October 2009, the bank announced the appointment of Daniel Kelly as chief risk officer of alternative investments, a newly created position. Kelly had spent 17 years at Harvard Management Company where he was chief risk officer of the Harvard University endowment since 2005.

In November the bank announced Ian Cramb, previously chief operating officer at Citigroup, had become its COO.

While many asset managers resist regulation, UBP is in favour of more. It appears to take delight in following the rules – its tier 1 capital ratio is three times higher than it needs to be.

Wohanka must feel like he's come a long way since the Fortis problems, as do probably many asset management executives. But if he can help UBP put Madoff behind it, increase its revenue streams, expand, and at the same time keep the folk in alternatives happy, he will certainly have sailed through the financial storm on a more towering wave than many in the industry.

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