

## Best in Switzerland

### Julius Baer



Andreas Vogelsanger, Julius Baer

> Julius Baer became Switzerland's largest wealth manager overnight when the Swiss bank bought three other private banks and fund management unit GAM for approximately 5.6 billion Swiss francs from UBS in June. The new group now has around 270 billion Swiss francs of assets under management and there is set to be an enhanced commitment to structured products, according to Andreas Vogelsanger, Julius Baer's

Zurich-based head of structured products.

That's not to say Julius Baer was inactive in the structured products market before the acquisition. Far from it. It has been a busy year for the bank, which now lists flow products on the Swiss Exchange (SWX). Investors can expect to see more of Julius Baer's products as there are plans to make more of them accessible to the public, Vogelsanger adds.

In the past 12 months, Julius Baer has developed more than 500 structured products for its private banking and institutional clients. But it is not just about size and volumes. While products such as baskets, capital protection and yield enhancement structures are manufactured in-house and the bank also structures products using constant proportion portfolio insurance (CPPI), Julius Baer isn't afraid to work with other investment banks to develop more complex and specialised products. The bank has worked with Goldman Sachs, JP Morgan, Deutsch Bank and Merrill Lynch in the past, Vogelsanger says, and as a result, it has developed products such as the latest-generation hybrids on interest rates or credit-linked products.

Julius Baer's own products range from commodities to real estate. And innovation is at the heart of the company's strategy. Julius Baer, for example, was the first Swiss institution to launch a double discount certificate. Double ToY, is an alternative to direct investments. It is targeted to investors who expect neutral to slight positive price movements of two underlyings, and prefer to have a discount instead of coupon income.

And there are plenty of examples of innovation emanating from the Swiss bank. In July, for example, it launched an eight-year Guaranteed Alternative Investment Note (GAIN). The 100% capital-guaranteed note is structured using CPPI and has a variable exposure to the Rogers

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International Commodity Index (RICI) and to cash. RICI, which tracks the consumption of 35 commodities worldwide, was designed in anticipation of a secular low in commodity prices and is the broadest commodity index publicly available to investors at present, Vogelsanger claims. "This unique offering, provided by a specialised unit under the label of Alternative Risk Trading, has historically been focused on an institutional target audience. But first successful steps have now been taken to open this product and service range to Julius Baer's private clients and further developments are expected," Vogelsanger adds. GAIN pays a fixed coupon of 1.5% annually.

The bank has also been busy developing equity-based products such as warrants on selected Swiss mid and small caps. In May 2004, it also launched the first reverse convertible, Double ICE, on two underlyings. Both underlyings are registered Swiss shares (Nestle and Zurich Financial Services) and the target investors are those who expect neutral to slight positive price movements of the underlyings. Julius Baer Double Ice (income, cash or equity) Units combine a fixed income investment and a rainbow option and the coupon to be paid – which is paid regardless of the performances of the underlyings – consists of both an interest and a capital gain component.

What's more, the bank has also tapped foreign exchange and in particular, emerging market currencies, by introducing a high-yield FX CoY Unit (currency-or-yield) with cash settlement in US dollars.

And now that the products are listed on SWX, the next step is to automate all of the flow products, Vogelsanger says. This will further save product development time and enable Julius Baer to focus more on advice and solution design, he adds.

#### Why Julius Baer won

Now the pre-eminent wealth manager in Switzerland Julius Baer's commitment to structured products is set to continue. Innovative products such as GAIN – previously only available to institutional clients – means that its private client base is spoilt for choice.