

“Pictet is going to build a tower block in Geneva”

Major construction project at Les Acacias, big ambitions in Asia and new investment strategies: the Pictet Group’s plans explained by Renaud de Planta, who became the new senior partner on 1 September.

Interview by Sébastien Ruche/Le temps | 2 September 2019

He dreamt of being a professor of economics or a central banker. Renaud de Planta is the new senior partner at Pictet, which he joined in 1998. Having created and developed the asset management business, this citizen of Geneva explains why Pictet is again placing emphasis on the Asia Pacific region and why this strategy was not all down to Boris Collardi, who arrived at Pictet in mid-2018. First interview with the Swiss-French media.

What are Pictet’s main plans for the next few years?

We have a major construction project in Geneva. We plan to build an island of residential blocks and offices around a small park, just next to our head office. It will also include a tower block 90 metres tall, with up to 24 storeys. The whole project is expected to be completed in 2025. An architectural competition is currently under way, and the winner will be announced at the end of October. There are still a few administrative questions to sort out,

but we’re very confident this project will become reality as part of the development of the Praille-Acacias-Vernets district.

Will these new buildings be reserved for Pictet?

We’ll occupy the whole of the tower block. The 54,000 m² of offices in the new buildings will provide an additional 2,700 workspaces. We won’t be using all of them to start with, but we hope to do so in future.

We currently have 2,720 employees in Geneva. This project demonstrates our local commitment and our confidence in Geneva and Switzerland.

Any other projects outside Switzerland?

We intend to continue our development in Asia, where strong economic growth is encouraging a rapid build-up of savings. We aim to remain a global player in investment, and this naturally leads us to place greater emphasis on the Asia Pacific region. It represents 60% of the world population, 23% of global GDP and 22% of corporate earnings,

but only 10% of global equity indices and 3% of global bond indices. A major deployment of capital is therefore about to take place in Asia.

Are you going to invest locally?

The other component of this initiative consists of strengthening our client base in Asia. Private savings in Asia currently account for 32% of savings worldwide. This proportion will reach 40% in 2030, to the detriment of Europe and, to a lesser extent, North America.

Pictet is now present in five cities (Tokyo, Osaka, Hong Kong, Singapore and Taipei); we’re going to expand our network and our resources in the region to be closer to clients.

Are you going to recruit specialists from Asia?

We recently recruited a Chinese manager, with experience in leading US institutions, as the new head of asset management for Asia excluding Japan, and more than 20 wealth management specialists from North Asia.

What proportion of Pictet's clients originate from Asia at present?

These clients represent just over 10% of our revenue. Pictet employs around 470 people in Asia Pacific, or 10% of our global workforce. We want to increase these numbers.

Was this Asia-focused strategy conceived by Boris Collardi, who became a partner in mid-2018 after heading Julius Baer, which sees Asia as its second domestic market?

It was a collective conviction on the part of the partners. Pictet is probably the only non-Asian banking group in which most of the top managers have held major roles in the Asia Pacific region – i.e. four of the seven managing partners. We therefore already know Asia quite well.

Another of Boris Collardi's trademarks at Julius Baer was his ability to recruit teams and conclude acquisitions. Is Pictet's strategy going to move in this direction?

Our recruitment strategy hasn't changed. It also happens that our growth ambitions attract talented people, some of whom come forward in teams. It's true that we've hired more staff in private client management recently. But that's nothing new: in my 21 years as a partner, I've seen plenty of teams recruited. As for acquisitions, we're not closing the door on small-scale transactions, but organic growth is still our priority strategy.

Pictet is again focusing on Asia, although it took several decades for its presence in Japan to become profitable. Aren't you worried that you're launching yourselves into an uncertain venture?

No, because while it's true that it took us almost 20 years for Japan to stabilise, since then we have earned several times the cumulative losses. We had an institutional presence, but the market wasn't mature at the end of the 1990s and in the early 2000s. Local players went bankrupt. Then the laws were relaxed to make it easier for foreign players to prospect for clients. We're now one of the top three non-Japanese players in the fund business.

History is repeating itself in China, where they recently relaxed the criteria for foreign financial groups to do business on Chinese territory, in particular by allowing them to be owners of joint ventures undertaken with Chinese companies. Are you interested in the Chinese market?

We have been for a long time since we're already very active in asset management from Hong Kong, especially with the first Chinese domestic corporate and sovereign bond fund ever launched in the west. We're now considering setting up in Shanghai to carry out asset management research. We'll probably start off in a modest way. No date has been fixed, but this plan will probably come to fruition in the next two years.

The end of the economic cycle and the prospect of a recession are a big topic for investors at the moment. How is Pictet preparing itself?

We're going to develop our unlisted asset business. Not so much for the reasons you mention but rather to adapt to new market realities. On the one hand, interest rates are low or negative in many regions and the equity markets have already posted ten good years. While on the other hand, in 20 years the number of listed companies has fallen by half in the United States and by 30% in Europe, even though total market capitalisation has increased. There are fewer initial public offerings, because there's sufficient private capital to support the development of businesses for longer. Facebook is one example. So by staying focused on the stock markets, there's a risk of missing out on an element of value creation. Institutional and private clients need to participate in these opportunities.

Does this mean you're expanding your private equity business?

That's not all. We've brought together a team of around ten specialists in unlisted European real estate. Their strategy consists of buying real estate with problems that need to be resolved, or development opportunities. The team, which has just raised 600 million euros via its first fund, develops the properties and sells them on.



At the start of 2019 we also recruited a team of four experts in distressed debt. It took us two years to select them and persuade them; they came to us from a London-based competitor. The common denominator between these two types of activity is that they transform the assets instead of simply buying and selling them. With the development of passive management and robotisation, we need to develop skills in areas that are less easy to automate and offer superior returns. Sustainable finance is another way.

What part does sustainable management play in the Pictet Group at present?

Today, 10% of our assets under management are already managed in a strictly sustainable way. We want to move up a gear. Our active management takes account of the ESG aspects in all our institutional and much of our private management, and we're aiming at total integration. We've also boosted our interactions with the companies we invest in – especially on issues relating to social and environmental responsibility – and we systematically vote at general meetings. On average we reject 10% of management proposals.

Is asset management gradually taking over at Pictet? It was in its infancy when you joined the group in 1998, but it now accounts for half the assets. In recent years, most of the new partners came from this side of the business (Laurent Ramsey in 2016, Sébastien Eisinger in April 2019), whereas those who've retired (Philippe Bertherat in 2014, Jean-François Demole in 2015) tended to work on the wealth management side.

I don't think any conclusions should be drawn from changes to the partners committee. We aim to develop our three business lines equally because together they ensure that the group benefits from healthy diversification and solid foundations. It's therefore important for all three to be properly represented in the partners committee. We usually work in pairs, which is why two partners deal with asset management, two with wealth management, two with corporate functions and one with asset servicing or our alternative management subsidiary. Our diversification into three business lines has enabled us to achieve annual revenue growth of 6 to 7% for the last 20 years, without making acquisitions. Moreover, since the group's change of status in 2014, the asset management subsidiary has been a sister company rather than a daughter company of our bank. This reflects economic reality as well as our strategic priorities.

The US authorities still have the bank in their sights as part of their fight against tax fraud. How far advanced are the proceedings?

There's absolutely nothing new to report.

PROFILE

1963 Born in Geneva.

1986 Degree in political economy from the University of St Gallen.

1988 Joins UBS, where he becomes CEO for North Asia.

1989 Doctorate in economics and finance.

1998 Joins Pictet as a managing partner.

2002 Becomes sole head of asset management.

2019 Becomes senior partner.

After joining Pictet in 1998, Renaud de Planta became co-head of asset management with Jacques de Saussure before taking over the reins completely in 2002. This business now accounts for half the assets entrusted to the Geneva bank.

