

Investment

Can Swiss family-owned private banks flourish in the private equity world?

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Geneva - where the three banks are based (photo: Pixabay)

Last week, two family-owned private banks in Switzerland together with another bank got together and decided to pool their resources and work with a private equity startup called Hermance Capital Partners.

The banks - Bank Pâris Bertrand Sturdza (PBS), Bordier, and Reyl - felt they'd make more of an impact in the private equity world if they pooled their expertise and assets together and work with a private capital specialist called Jacques Chillemi, who founded Luxembourg-based Hermance a few years ago.

Chillemi, who is also head of private equity at PBS, is a seasoned private equity specialist having spent more than 10 years as head of Pictet's efforts in private markets. Pictet is arguably the most revered name in Swiss private banking and the Geneva bank has built a sizable private equity business since it launched its first fund back in 1989. Chillemi was prominent in those efforts.

The joint venture will be equally owned by all three banks and will also seek opportunities in the private debt and property markets. Here's what Chillemi says about the initiative in a press statement: "Our collaborative mindset is that we can do more together than by ourselves, and joining forces guarantees success by granting global access to high-value private equity investments that would be inaccessible to small and midsize investors without this platform." The banks and Hermance also say they are open to other banks joining the platform.

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Hermance currently runs two strategies involving multi-manager funds - buyouts of small and midsize US firms and private property

debt. It says it plans to launch a European buyout strategy as well as a direct investment vehicle, and is targeting family offices and wealth managers as limited partners. But Hermance didn't say how much money it's trying to raise, or how much money the three banks are committing or raising for the platform.

One thing is for sure, the initiative is into a very crowded market. Just a few weeks before the big passive investment manager BlackRock launched a fund to seek investments in the private capital world. And that's not to mention all the other fundraising efforts being made by established players in the world of private equity.

But the fundraising efforts probably won't be the challenge for the Hermance/private banks initiative. There's plenty of liquidity seeking an investment home and these days private equity is one of the most attractive. Rather the issue for the new joint venture and the whole of the private equity world is identifying companies to buy - and at reasonable prices. With so many managers chasing deals and many of the big private equity groups moving down the food chain to target middle-market companies, as well as family offices joining the stampede as general partners in direct deals in private markets, finding companies won't be easy.

That might be where the families and individuals owning these private banks might be useful. PBS and Reyl are relatively new players in the world of private banking in Switzerland. PBS was started in 2009 by four bankers, all with impeccable banking CVs, with Eric Sturdza arguably the most prominent. Sturdza is an old European aristocratic name and Eric Sturdza, one of the founding partners of PBS is a well-known Swiss-based financial entrepreneur.

Reyl is a second generation family-owned bank. It was founded by Dominique Reyl in 1973 and is now led by his son, François Reyl. Bordier is one of a small and very select group of Swiss private banks that have been around since the 19th century and is still owned by the family of its founder. It's now run by three members of the fifth generation with Grégoire Bordier being the most prominent.

All these senior partners of these banks would have amassed a considerable Rolodex of contacts. And two of these banks can also play on their family business orientation, with an ethos of patience capital and all the potential benefits that go around this. This could appeal to family businesses, which are the targets of many private equity groups these days.