MARKET INSIGHT

OCTOBER 2021

COLIN VIDAL
HEAD OF BUSINESS DEVELOPMENT
ASSET SERVICES

"Zurich and Geneva are overtaking cities such as New York and London as asset management hubs"

YoY Changes of Asset Management Hubs

Rank	Study 2018	Study 2019	YoY	Study 2020	YoY	Study 2021	YoY
1	Singapore	Singapore	-	Singapore	-	Singapore	-
2	London	London	-	New York City	↑7	Zurich	↑2
3	New York City	Zurich	↑1	San Francisco	↑1	New York City	↓1
4	Zurich	San Francisco	↑2	Zurich	↓1	Geneva	↑4
5	Boston	Boston	-	Chicago	↑2	San Francisco	↓2
6	San Francisco	Geneva	↑2	Boston	↓1	Chicago	↓1
7	Washington DC	Chicago	↑2	Washington DC	↑1	Boston	↓1
8	Geneva	Washington DC	↓1	Geneva	↓2	Stockholm	↑3
9	Chicago	New York City	↓6	Amsterdam	↑1	Washington DC	↓2
10	Hong Kong (China)	Amsterdam	↑1	London	↓8	Amsterdam	↓1

Source: Swiss Asset Management Study 2021

REYL
innovative banking

INSIGHTS AND TRENDS OF THE SWISS FUND MARKET

The rapid response from financial markets to the pandemic created many new opportunities for fund managers, investors and allocators alike.

As a Swiss representative and paying agent within a multinational banking group, we are in constant contact with a large number of funds, both alternative and traditional, looking to Swiss allocators and investors as one of the key markets to diversify their investor base. Therefore, the main question on these funds' minds is how the past two years have shaped the Swiss investor landscape and what allocation trends have emerged. We have a rare vantage point to examine this, sitting between funds and Swiss investors.

With its global reputation as a safe haven, Switzerland has fared relatively well during this crisis and Swiss banks attracted record amounts of new capital. In 2020 alone, Swiss banks saw net new money of CHF 94.5bn, the highest growth since 2010 in both relative and absolute terms[1]. This comes on the heels of a previously strong year, with 2019 recording net new money of CHF 72bn. The question remains as to what fund strategies remain in favour for Swiss investors and what the growing trends are that we are witnessing.

FOLLOWING THE MONEY

Overall, the demand for investment funds remains robust with many asset classes seeing strong inflows. In the first half of 2021, CHF 28.1bn of new money was placed in investment funds in Switzerland. With the positive performance of equity markets, investor confidence and risk appetite have continued to increase. This has translated into a shift from money market funds, typically used to preserve assets in times of market uncertainty, to equity, multi-asset and private debt funds. Alternative investments also enjoyed positive inflows and at the end of 2020 represented 23% of all assets managed in Switzerland[2].

Alternative funds have had to contend with significant developments during this COVID period. Early on, allocators preferred strengthening existing positions and allocating to larger, established fund managers. Allocators have since adapted their due diligence process and, as an example, have fully integrated virtual meetings as an acceptable alternative to the previously required on-site visit. As a result, we are now seeing many smaller funds and new launches come to market from the US and Asia.

In terms of strategies, not surprisingly equity strategies (long only and long/short) are attracting the most interest as markets continue to outperform. Emerging markets and some credit strategies are also seeing increased activity. Cryptocurrency funds have recently started to come on the scene as the sector gains broader acceptance and knowledge of blockchain grows. As a testimony of this evolution FINMA has just approved a Swiss fund investing primarily in cryptocurrency assets for the first time, as announced on Wednesday, September 29. Overall, however, the biggest new trend we are seeing both from managers and investors is sustainable investing.

THE DOMINANCE OF SUSTAINABLE INVESTING

Like much of Europe, sustainable investing has become a main market driver in recent years, and we have seen the emergence of many new actors both in the long only and alternative space. By the end of 2020, volumes allocated to sustainable investing reached CHF 1,520bn and there were around 690 funds[3] focused on this theme. ESG integration and impact investing are the strategies that have gained the most traction and have enjoyed double-digit growth. In fact, impact investing actually enjoys the highest growth rate of all sustainable investments, at 70%.

COVID-19 is undoubtedly a crisis of unparalleled proportions for so many, but it has also created an opportunity for some to stand out as a sound and strong partner. This has clearly been the case for Switzerland, which has strengthened its position as an asset management hub and destination to raise assets. Zurich and Geneva are overtaking cities such as New York and London as asset management hubs and they already enjoy the second and fourth ranks, respectively. The momentum remains strong and we continue to see strong demand for funds, both traditional and alternative, and a strong supply of funds and managers coming to Switzerland.

[1] https://assets.kpmg/content/dam/kpmg/ch/pdf/clarity-on-performance-of-swiss-private-banks-2021.pdf
[2] https://www.swissfunddata.ch/sfdpub/en/market/commentsArchive
[3] https://marketstudy2021.sustainablefinance.ch/