



"For more than 20 years, Switzerland has actively collaborated with the rest of Europe in battling fraud, money laundering and various crimes."

MVC: the new way for Wealth Management

Even though little has changed in the two big banks, Credit Suisse and UBS, whose freshly restored facades face one another on Piazza della Riforma in Lugano, something is moving in the right direction behind them. At 4 Via della Posta, a group of eight former UBS officials, headed by **Massimo Valsangiaco** (45) who was formerly in charge of key Lugano wealth management (WM) clients, opened a multifamily office, MVC & Partners, with a totally innovative operating model. Backed by the chairmanship of **Vittorio Volpi** (70), ex-president of UBS Italy who was responsible for the Italian WM business, MVC inaugurated the new office last November with a December 2009 breakeven target, thanks to the collection of funds under management totaling SwFr 1 bn. "As of the beginning of April, we had already exceeded that threshold," Valsangiaco told Lombard. That figure positions the new entity in the top ranks of the Lugano fiduciary industry. Obviously, the bulk of those funds is represented by the assets of clients of the former UBS team guided by Valsangiaco whose career at the bank spanned 20 years. But the fact that those clients decided to entrust the management of their financial assets to the new company, while leaving their funds with UBS was not a given, although it was foreseeable. "It was a gesture of confidence that in some cases went beyond the normal client-financial advisor relationship," remarked Valsangiaco, recalling a maxim of Sir Siegmund Warburg: 'First, I make a friend, who then becomes a client.'² The break with UBS, which Valsangiaco described as "friendly," was definitively consummated a year ago but became apparent at the beginning of 2007, when the bank began to progressively give up open architecture management. In fact, in an extreme attempt to pull free of the risks that were taking shape UBS decided to offer only products made in-house to its most important customers. "It was unthinkable to propose semi-standardized management to entrepreneurs accustomed to total independence," remarked Valsangiaco. "The real risk was to losing the client and his money." The decision to open a multifamily office at the height of the financial crisis was a risk but also an opportunity. What tipped the scales towards the latter was the conviction, based on accumulated experience, that an operating model free of conflicts of interest and characterized by maximum transparency could be created. "We are fully aligned with the interests of our clients and to demonstrate that we provide data on what we earn," reported Valsangiaco. "That concretely guarantees MVC's transparency which can be verified in two ways. The first is the proposal of management based on annual balance sheets. The second is the absence of a performance fee. "Since most of our clients are entrepreneurs, it is easy for them to agree to the fact that we measure the value of our management on a 12-month cycle that begins on January 1 and ends on the following December 31. For that period, we establish a target and at the end of the year we do the math," said Valsangiaco. "In that way the client can evaluate a management program's success or lack thereof according



Vittorio Volpi and, on top, Massimo Valsangiaco. Volpi chairs the company founded in Lugano by Valsangiaco as a multifamily office of new generation. They do not charge, for example, a performance fee.

to a precise temporal reference, making a sort of market-to-market survey that assures the relationship clarity," he added. The decision not to apply performance commissions, the basis on which the fortunes of the major asset managers of alternative funds were built in recent years, is a measure of the break with tradition. And it is probably the signal many potential investors were waiting for to demonstrate their renewed confidence in the market.

Obviously, it was a solution MVC officials viewed as the winning one over the long run, because it encourages prudence rather than performance. Thanks to its banking origins, the Valsangiaco team knows perfectly well what counts in a period of low yields. That means sparing clients costs and fees linked to excessive portfolio turnover aimed at maximizing performance. However, the renunciation of performance fees is also generated by a basic conviction. Accustomed to working with shareholders highly exposed to industrial risk, Valsangiaco tends

to support conservative management of personal assets. That does not mean that there are no risks because it is precisely in so-called risk-free investments that the worst things can happen, like the banks and real estate," the Lugano manager observed. "The reason is that, when there is less risk, it is much easier to lower your guard." That conservative outlook has induced the new Lugano team to make a reasonable promise to its customers for 2009: a net yield of 2.5% and 3.5% annually. "In this period the courageous can easily manage with a target of +30%, obviously knowing that the risk is just as great, but this is not our path," observed Valsangiaco. He prefers to use his courage to tell his clients sincerely what course of action is best for them, even at the risk that they will not follow his advice.

The growth plan of the company, which already has a second office at Chiasso, involves offering its services to wealthy Italian investors through personal relations matured over years of labor.