Unigestion Opens Fund in France as Secrecy Taints Swiss Image

By Warren Giles

Oct. 21 (Bloomberg) -- **Unigestion Holding SA**, a Geneva money manager whose clients include **Nestle SA's** pension fund, has registered a fund in France as attacks on bank secrecy taint the premium Swiss financial brand. Others may follow.

The fund helps Unigestion attract clients after the firm failed to win one investment mandate because it was based in Switzerland, said Chief Executive Officer **Patrick Fenal**. Unigestion, founded by Chairman **Bernard Sabrier's** father in 1971, manages 10 billion Swiss francs ($9.9 billion).

"There's an antipathy toward the image of Switzerland," Fenal, 54, said in an interview. "It's terribly unjust, but that's life."

The assault on banking secrecy by the U.S., France and Germany has made investing in Swiss offshore funds "very complicated," Fenal said. A European Union proposal to bar managers based outside the bloc from selling their funds in the EU may force more firms to open branches abroad, said Frédérique Bensahel, a partner at Geneva-based attorneys FBT.

Unigestion started its French fund of hedge funds in July. Its two managers work out of offices in central Paris's eighth arrondissement, bisected by the Champs Elysees.

"We have opened an **alternative product** in France, respecting French rules, registered in France and managed by a French team," Fenal said. "There's nothing Swiss about it."

French Focus

In addition to avoiding the stigma of being Swiss, the fund allows Unigestion to do business with French institutions, especially pension funds, that prefer to invest in products registered with the French regulator, Fenal said.

About a quarter of the firm's clients are French, Unigestion's second-biggest market. Switzerland accounts for 37 percent. All but 2 percent of Unigestion's clients are European, with one-sixth of them in the U.K.

The proposed EU rules may reduce Swiss money managers' access to such clients.

"If the EU directive comes into force, non-authorized investment mangers won't be able to sell funds inside the EU," said Bensahel at FBT. "That would force Swiss asset managers to set up branches in EU countries."

Switzerland, which manages an estimated 27 percent of the world's privately held offshore wealth, agreed in March to cooperate with foreign authorities on tax evasion probes to avoid being **blacklisted** as a tax haven.

Fund Performance

Unigestion, whose Geneva offices are in the city's Champel district close to the university hospital, offers equity products that minimize volatility and private equity funds of funds, as well as hedge fund products.

The firm's **Uni-Hedge Tactical Trading** dollar fund returned almost 3 percent in the first eight months of the year, after a 2.7 percent decline in 2008. Its **Diversified Class** hedge fund gained 4 percent after a year-earlier drop of 8.4 percent, according to data compiled by Bloomberg. The Eurekahedge Pte. Fund of Funds **Index** climbed 6.6 percent in the first eight months of the year after slumping 20 percent in 2008.

The damage to Switzerland's reputation as a **financial center** goes beyond its European neighbors, as U.S. hedge fund managers blame the clients of Swiss banks for withdrawing their money during the credit crisis, Fenal said.

"These people have been terribly hurt, not by banking secrecy, but by the fact that the Swiss retail sector invested heavily in hedge funds and withdrew very quickly," Fenal said. "So when you walk in saying, 'I'm a fund of funds based in Geneva,' the first impression, if you have no other image in the market than that, is extremely negative."

Surviving Madoff

Geneva-based funds of hedge funds posted net client inflows of $30 million in August, after slumping 74 percent to $14.3 billion over the previous 19 months, according to Singapore- based Eurekahedge. That halted a slide that was accelerated by losses related to **Bernard Madoff's** Ponzi scheme.

Unigestion didn't have money with Madoff. The company was less affected than other Geneva money managers by the slide in alternative investments because 86 percent of its clients are institutions, such as the Swiss canton of Graubuenden, **Dexia Asset Management** and **EnBW Energie Baden-Wuerttemberg AG**. They typically have a longer-term outlook, Fenal said. The remaining 14 percent of assets are managed for wealthy families, he added.

Geneva-based institutions, including Union Bancaire Privée, Banco Santander SA's Optimal Investment Services, Genevalor Benbassat & Cie., Hyposwiss private bank, Banque Benedict Hentsch & Cie. and Notz, Stucki & Cie., lost about $7 billion from investments with Madoff.

Unigestion aims to increase client assets by 10 percent to 20 percent a year, which is achievable in "normal" market conditions, according to Fenal.

Acquisition Proposals

The firm is studying acquisitions after receiving about 30 unsolicited approaches this year, more than double the usual annual total, Fenal said. Many of the proposals were rejected because the standing of some money managers has been tarnished over the past 12 months, he added.

The same issue is hampering Unigestion's effort to hire a new chief for its 3 billion-franc hedge fund business, after **Kostas Iordanidis** quit in February. While there are plenty of "high quality" candidates who were unattainable 18 months ago, some have had their reputations sullied by the performance of their firms, said Fenal, who has temporarily assumed the role.

"Today, the name of the institution they were with would be a veto for our clients," he said. "Our clients might say, 'That's nice, but I've just left them.'"

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