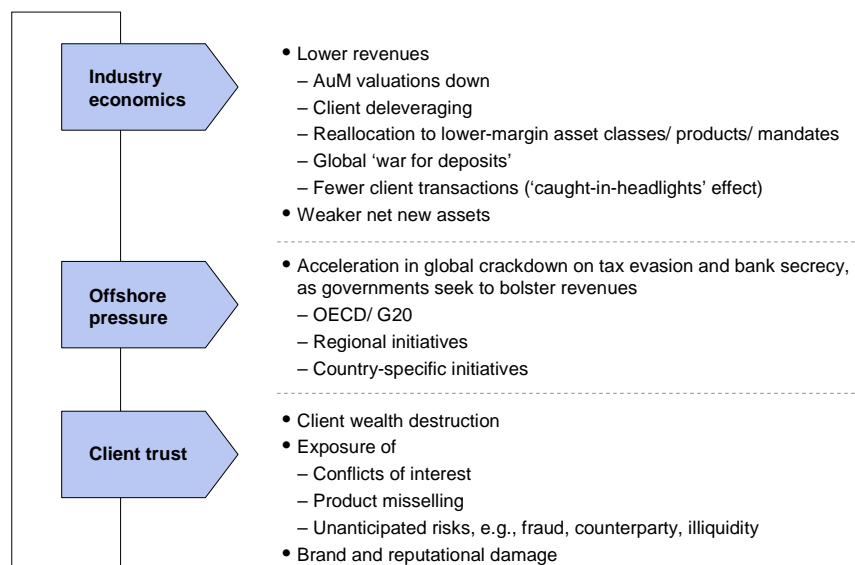


## Wealth management post-crisis realities

EXECUTIVE PRESENTATION EXCERPT

David Maude  
June 2009

### CRISIS IS HITTING WEALTH MANAGEMENT IN VARIOUS WAYS



Source: David Maude

## WHY MIGHT IT HAVE BEEN DIFFERENT THIS TIME?

### Impact on WMs of possible downturn: pre-crash hypotheses

More diversified asset classes limits AuM impact?	X
Wider geographic diversification of client base limits AuM impact?	X
Deleveraging will reduce flow of NNA?	✓
Greater cost flexibility reduces impact on profits?	X

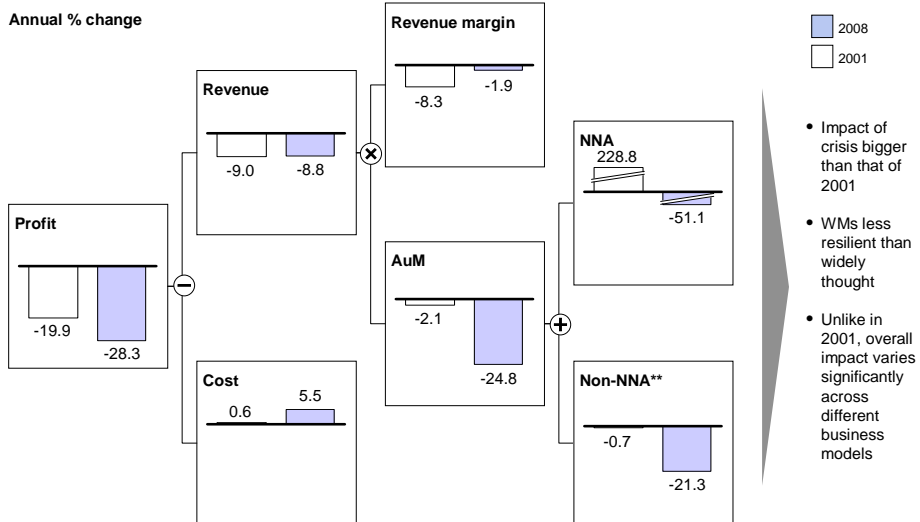
Source: Equity analysts

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## RAPID DETERIORATION IN INDUSTRY ECONOMICS

### LARGE LISTED SWISS SAMPLE\*



\* Unweighted average of UBS PB, Credit Suisse PB, Julius Baer PB

\*\* Key components: investment performance + FX translation impact + acquisitions

Source: Published accounts; David Maude

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## OFFSHORE CRACKDOWN

NOT EXHAUSTIVE

### Global

OECD/ G20

- All countries commit to share client information with other governments
- G20: "The era of bank secrecy is over". In fact, not completely
  - No automatic information exchange
  - No 'fishing trips' (random, indiscriminate requests): need to identify specific individual and bank, and have "sufficient grounds for suspicion" that tax offence has been committed
- New regime non-retroactive, and includes transition terms

### Regional

Europe

- Rumoured to be launching tax amnesty soon
- Pushing for widening in coverage of European Savings Directive to Asian offshore centres

### Country-specific

U.S.

- Pursued UBS for names of 255 U.S. offshore clients suspected of tax fraud; currently pushing for names of all 52,000 U.S. clients with UBS Swiss offshore accounts

Germany

- Bought client data from former employee of Liechtenstein bank; subsequently shared it with other countries

UK

- Gained access to UK banks' offshore client data
- Launching second tax amnesty ('offshore disclosure facility')

Source: David Maude

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## CLIENT UNREST NOW DEEP AND WIDESPREAD: 'WHERE ARE THE CUSTOMERS' YACHTS?'

"If these guys were half as good as they would have us believe, they would be basking on their yacht in Barbados, not stuck in their dire little offices"

"After recommending Lehman, Fannie and Freddie stock, he suggested a series of fee-laden funds. After hearing this, I had just about all I could take from this clown. Closed my account and took my >\$1m elsewhere"

"RMs from the big brands all echo the same advice to all clients, regardless of their circumstances. Any portfolio gains in the past decade are in spite of [not because of] 99% of all wealth managers"

"Guys, you went broke. Why should I take investment advice from someone who went broke?"

"WM is a heads-I-win, tails-you-lose business. They don't lose money like us mug punters do. They slow down, that's all"

"Large firms have always bragged about the profitability of their 'wealth management' businesses. In truth, they were fleecing clients for lousy performance. What a scam"

"The bigger the firm, the more conflicts of interest"

"I suggest they rename their wealth management division to poverty management"

"My theory: the nicer the lobby, the faster you should run away"

"I'm tired of getting lower returns than index funds and paying fees on top of it. No more"

"Do it on your OWN. No more B-S from some guy at [XXX] selling you crap you don't need at outrageous fees"

"I will stick with my discount brokerage accounts and handle everything myself. If I screw up, at least I know it was from my own doing. Nobody is more interested in my money than me. Nobody"

"Many of us spent more time researching our vacation plans than our investment plans"

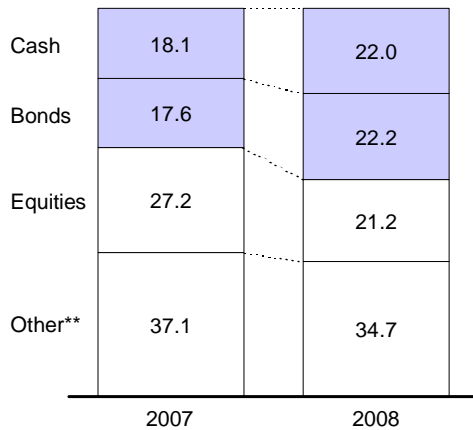
\* Title of famous book written by Fred Schwed, first published in 1940  
Source: Client interviews; David Maude

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## CLIENTS SHIFT TO SAFER ASSET CLASSES

**Asset class mix\***  
Percent of AuM



\* Average for UBS PB, Julius Baer PB, EFG International, Sarasin, Vontobel  
 \*\* Includes proprietary and third-party mutual funds and alternative investments  
 Source: Published financial statements; David Maude

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## WEALTHIEST CLIENTS ACCOUNT FOR BULK OF FALL IN AuM

**Change in AuM, 2007-2008,\* by client wealth band\*\***  
Percent

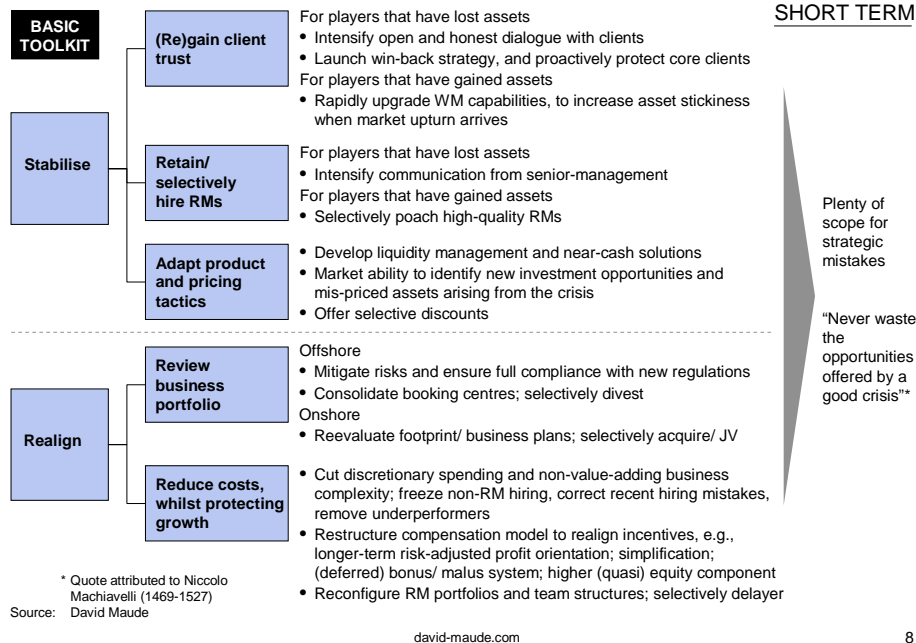


\* Unweighted average of UBS PB, Morgan Stanley GWM, Sarasin  
 \*\* Morgan Stanley wealth bands: <\$100k, \$100k-\$1m, \$1m-\$10m, >\$10m  
 Source: Published financial statements; David Maude

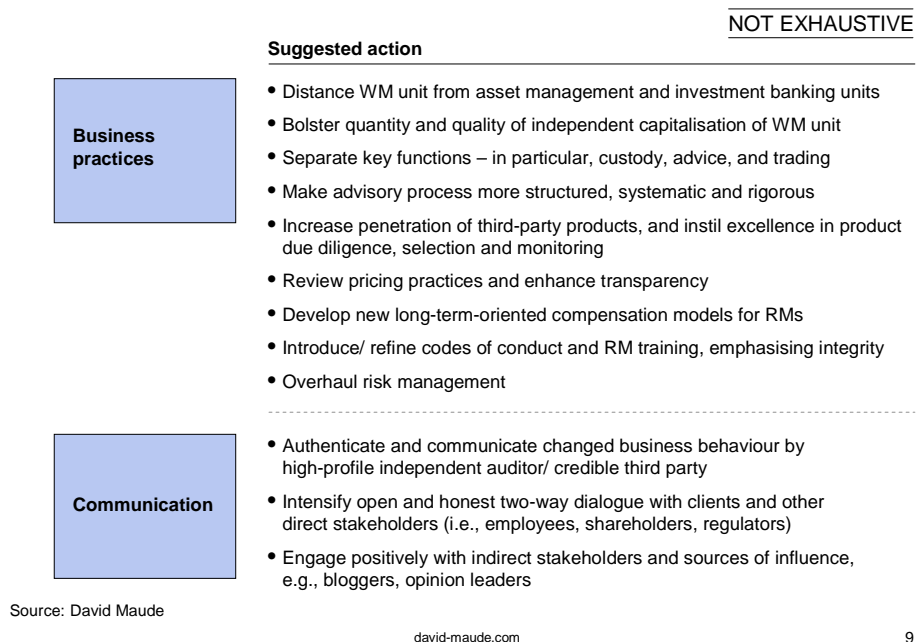
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## MOST PLAYERS NEED TO TAKE IMMEDIATE ACTION



## RANGE OF ACTION REQUIRED TO REBUILD CLIENT TRUST



## WM REMAINS ATTRACTIVE FOR SERIOUS PLAYERS

### WM business intrinsics remain in place...

- Low capital intensity; strong cash generation
- High proportion of recurring, largely fee-based revenue
- Nature of competition not primarily focused on price for most segments
- Good visibility of earnings and balance sheet
- Inertia among many clients
- Industry fragmentation likely to persist; barriers to entry
- Relatively low risk

### ...with various other sources of support

- Cyclical support
  - Clients' appetite for risk will return
  - Crisis will lead to shakeout of marginal players
- Structural support
  - Ageing populations in many mature countries mean savings need to rise
  - Low penetration of wealth management, particularly in emerging markets
  - Clients have strong and growing demand for high-quality advice

### But...

Global wealth generation unlikely to return to very high levels of recent years

- Deleveraging, deglobalisation, reregulation, lower global economic growth, weaker financial markets, fewer liquidity events
- Higher taxes on the rich, compensation limits and other policies to reduce inequality

Source: David Maude

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## MY CONTACT DETAILS...



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