



SERVICES

# Klaus Wellershoff says WMs treat clients 'miserably' and must improve

If clients really understood how miserably they were treated, there would be a huge pressure for those who do not do well to level up their business,' he said.

---

by **FERGUS HORSFALL**

Posted 24 SEPTEMBER,  
2020

---



Many independent asset managers feel that their industry is professional enough not to require extensive regulation.

Ex-chief economist of UBS Klaus Wellershoff (pictured) takes a slightly different approach. He

says that many wealth managers are so poor that simply telling clients how badly their money is handled could do more to improve industry standards than additional rules.

‘I think enforcing more transparency would be more effective, because if clients really understood how miserably they were treated, there would be a huge pressure for those who do not do well to level up their business,’ he said.

Wellershoff recently extended his small empire of affiliated firms to three, with the [launch of WPuls](#), an investment outsourcing firm. He is also involved in Wellershoff & Partners, an economic consultancy firm founded in 2009, and Zwei Wealth, which guides clients to wealth managers and provides advisory services.

He believes that while some provide high-quality services, many wealth management providers are simply not competitive businesses.

He said: ‘Wealth management solutions is a highly homogenous market. It’s a bit like washing powder, where one brand has blue little pearls in it and the other has red in it. For a client who’s not sophisticated, typically, the difference between the products is zero, and as a start point for an entrepreneur, that is not a competitive position, that’s microeconomics 101.

‘Selectors always say that strategy is 90% or 95% of performance, but they hardly ever ask themselves whether they have the right strategy.’

Even those wealth managers which perform well may struggle to market themselves effectively.

‘Most financial services companies are lacking there. Some of them might really be good at what they are doing but the communication does not match, neither to the value proposition nor to what has really been going on,’ he said.

As of yet, the lack of competitiveness Wellershoff perceives in the Swiss wealth management services has had an uneven impact by sector.

‘We saw huge reductions in the numbers of banks over the last 15 years, but the number of IAMs has not really moved, despite the fact that there are still some quite small players,’ he said.

However, he expects significant consolidation amongst IAMs in the near future.

‘Local regulation was tightened at the beginning of the year. Three years from now IAMs will

all have to have a sound investment process and adequate risk and compliance functions. This will push up costs and complexity and many of the smaller firms will either have to stop their business or they will have to combine their activities,' he said.

Wellershoff says that these problems have been put into sharp focus by recent events.

'Q4 2018 performance in many institutions was, I would say, dismal, and we felt it again this year.

'In the first quarter this year, for funds of banks, the way an income fund had performed would barely be different from a balanced fund. You see these as products that should fulfil a promise that you have made to your clients, and that cannot be the case,' he said.

'I think many people were really, really uncomfortable with that performance and you have to react to this if you want to provide a good service to your clients and also if you want to be safe legally.'

## The WPuls offering

Wellershoff says that this is where WPuls, where he is chairman, comes into the fold. The company is managed by CEO Adriel Jost and head of investment services Christa Janjic-Marti, who he sees as his proteges.

'I believe in long-term planning and succession planning, and this allowed us to create a structure where those people will be carrying on the torch,' he said.

Wealth managers can outsource their investment process to the new company, which can also teach them how to improve it in the long term.

'Our typical client relationship lasts between three and five years. We think of ourselves as investment process doctors and in that period before they can do it themselves, we provide them with that process.

'The rule of thumb is that at least initially we want to deliver a service which is twice as good as they would be able to produce immediately themselves, for half the cost. In reality, it's cheaper than half their own cost so there tends to be a tendency to be an outsourcing partner for longer.'

WPuls' services range from entirely outsourcing the investment process, to partial outsourcing and providing macroeconomic insight for firms who do not find it cost effective to hire several

economists themselves.

The company will also write up your economic perspective for clients, even if it thinks you are wrong.

'If they don't want to believe in the US Federal Reserve cutting rates three times this year, and they say "no, they raise them twice," we say:

"We don't believe it, but if you need it in your investment communication we will write the story for you, and it will be your story, not our story."

He said that the company's customers are approximately 40% bank operations, including bank asset management divisions, 30% pension funds and 30% family offices.

For a firm helping others to improve their performance, a crisis can actually be a positive.

'Even though the world's in turmoil, it is a good moment to launch a company like this. We have acquired a number of pension funds, and in the meantime we are reviewing the investment process of a very large bank,' Wellershoff said.

The launch is in part an attempt by Wellershoff to continue expanding the number of clients his businesses have. Zwei started five years ago, and now has almost 30 advisors, including an [ex-UBP private banker](#) and a [Zurich insurance investment manager responsible for CHF 25bn](#).

He says that while Wellershoff & Partners has grown, its partnership structure, one which is shared by many wealth managers, can make it harder to grow fast.

'WPuls is now at a point where we want to enable that growth. In the previous structure, it was difficult to grow the business and invest in the growth in the business because you were partner driven, now we are more capital-driven,' he said.

Wellershoff is not only on the look out for clients. He is also open to taking on new employees.

'We will continue to be in the market to look for people that have that entrepreneurial spirit,' he said.