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Independent M&A Advisors to the Global Wealth Management Industry

CIFA Conference: How to Ensure the Prosperity of IFA’s

Geneva, 14 April 2003

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Introduction

- The IFA industry has seen large changes in the recent past, but the jury is still out on what the best client proposition and the best business model is for future success

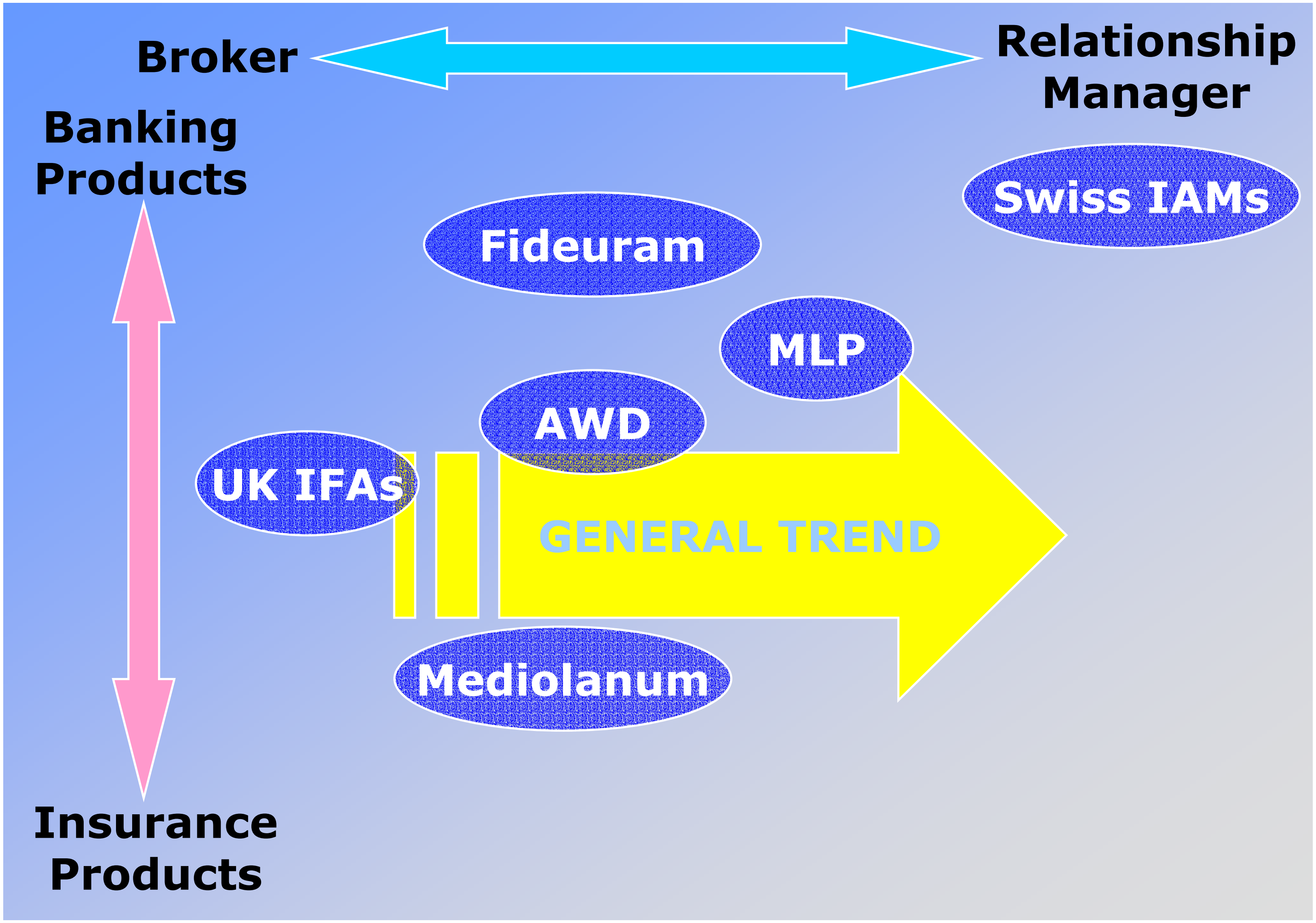
- There is only one thing that everyone agrees on:
  - The most important part of the value chain is owning the client
  - IFAs are a key distribution channel for product providers, and currently represent the distribution channel with the highest growth

- The main issue that all players face is profitability and critical mass and giving continued or improved independent advice

- Mergers & acquisitions are the best way to quickly gain critical mass, but past experience shows that it needs to be handled very carefully and done in the correct way

- An alternative to outright M&A is the outsourcing of most non-core functions, as an effective way to reduce costs, but the right co-operation model with the product & services provider is critical

IFA Business Models



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Key Strategic Questions

- What are the products and services clients are looking for?
- What products and services should the client proposition include?
- What is the minimum that needs to be provided to offer an attractive proposition? Does it vary by country ?
- Should one focus primarily on banking or insurance products?
- Which clients should one focus on? Retail, affluent or HNW?
- What products and services should be produced in-house and which ones should be taken from third party providers?
- What is the critical mass to be profitable depending on client and product focus?
- What regulatory changes can be anticipated, and what impact will they have on the future of the industry?
- What is the best way to create a strong brand? Is it necessary?
- What is necessary to achieve a sustainable growth platform?
- Are acquisitions the best way to quickly achieve critical mass?

Key Success Factor: Client Focus

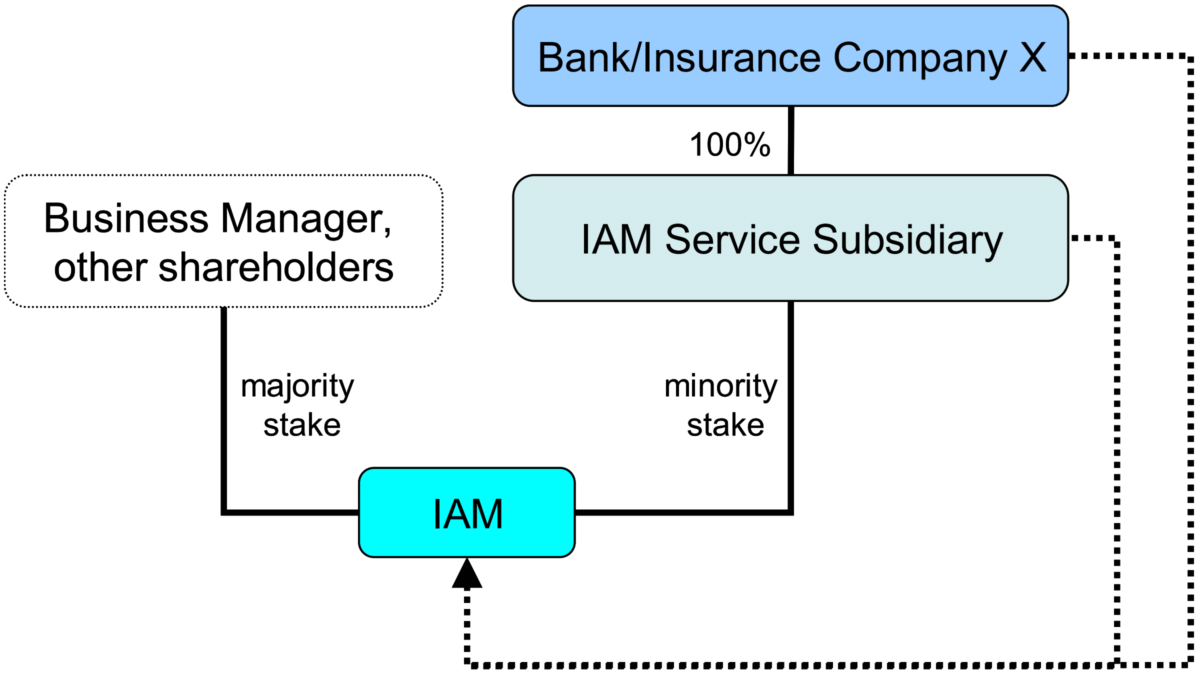
Client Needs	Resulting Requirements
1. An adviser they can trust	• "Relationship Managers" • Strong brand name • Reliability • Availability/time
2. Objective advice	• Client information (static) • Product information • Analysis tools • Multi-product knowledge/skilled staff
3. A proactive service	• Up-to-date client information (dynamic) • A good understanding of the clients needs • Multi-product knowledge/skilled staff • Comprehensive product offering • New products/services • Time
4. The best products	• Comprehensive in-house product offering • Access to third party products/product suppliers • Analysis tools
5. Low pricing	• Large volumes/pricing power • Size • Cost control • Access to third party products/product suppliers • Analysis tools

Operating Efficiency Through Scale or a Focused Offering

- Only the most common/key products should be supplied to the client
- Operational focus on either banking or insurance products
- Affluent is more or less a mass-market business, thus for smaller players a HNW client focus is the only option
- Only a small number of key products should be considered for in-house production, and only then if there are very significant benefits relative to them being taken from third party product providers
- Acquisitions are clearly the best way to quickly achieve critical mass, and are often the only option, particularly in the affluent segment
- Outsourcing non-core products & services as well as back-office functions is key for many smaller players, but we recommend a construction as described on the following page, where the supplier and beneficiary are closely tied together to enable the maximum outsourcing potential

Co-operation Model: IAM – Bank/Insurance Company

- From the existing models that are being applied: simple booking centre, extended booking centre (product and service packages), or relative to a staged sale, we feel there are large benefits to the following model:

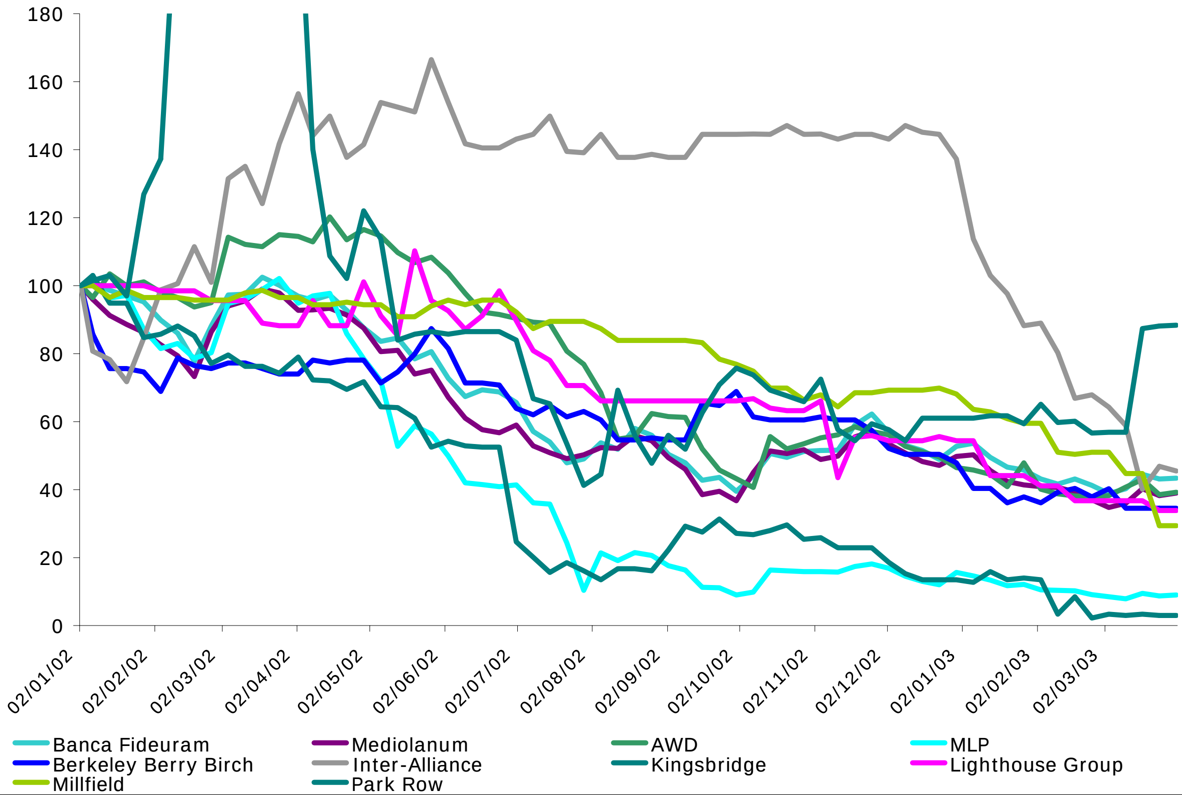


Services Provided:
- Comprehensive custody and transaction functions (client support, IT platform with suitable applications)
- Logistics package (locally located IT platform, phone platform, general logistics)
- Management package (legal & compliance, PR, HR, Management Support, internal audit, insurance services)

Valuation: Listed European IFAs

- Since the beginning of 2002 most of the listed IFAs have lost 60% of their value
- The market is obviously questioning the validity of some of the business models as well a punishing some of the players for their over aggressive and perceived irresponsible acquisition strategy

Share Price Development of IFAs since 1 January 2002



Source: Reuters, as at close 2 April 2003

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Valuation: IFA Valuation Multiples

- Looking through the many currently unprofitable companies we think that the following multiples can be applied to a quality franchise with positive growth and (at least near term) profitability in the following order of priority:
  - P/E 2003E of 12-20x, P/E 2004E of 10-18x
  - P/EBITDA 2002A of 8-15x
  - P/Net revenues 2002A (after distribution costs/cost of sales) of 3-5x
  - P/Turnover 2002A of 0.5-1.0x

Country/ Client Focus	Company	Price (local)	% of 52w high %	Market Cap. CHF MM	Turnover/ IFA CHF	LTM Growth Turnover %	P/IFA %	P/E 2002A x	P/E 2003E x	P/E 2004E x	P/ Turnover 2002A x	P/ Net Revs 2002A x	P/ EBITDA 2002A x
Germany													
Affluent	MLP	7.0	8.7%	1,121	563,276	1.1%	403,082	n/m	16.3	n/a	0.72	n/a	n/a
Affluent	AWD	10.1	31.8%	567	170,838	20.1%	142,155	16.7	11.4	9.5	0.83	n/a	10.3
Italy													
Affluent	Banca Fideuram	4.1	42.3%	5,931	149,235	-5.1%	1,052,028	27.7	24.1	18.6	n/a	7.05	14.7
Affluent	Mediolanum	4.2	77.0%	4,517	531,680	29.9%	646,459	37.3	28.1	22.2	1.22	7.80	17.7
UK													
Affluent	Berkeley Berry Birch	42.0	34.4%	79.7	158,592	21.5%	113,817	n/m	n/m	n/m	0.72	n/a	n/m
Affluent	Inter-Alliance Group	34.5	27.6%	76.3	83,747	-2.9%	58,720	n/m	57.5	n/a	0.70	3.55	n/m
Affluent	Millfield Group	43.5	30.4%	65.6	134,710	38.3%	145,734	n/m	n/m	27.2	1.08	3.13	n/m
Affluent	Park Row Group	55.5	36.6%	35.4	77,894	n/a	126,539	n/m	n/m	7.5	1.62	n/a	n/m
HNW	Cavanagh Group	155.0	91.9%	33.1	368,543	111.8%	1,004,334	n/m	34.0	n/a	4.09	6.91	n/m
Affluent	Lighthouse Group	24.0	30.0%	13.9	109,693	n/a	49,745	n/m	10.9	n/a	0.45	2.53	n/m
HNW	Kingsbridge Holdings	2.0	3.2%	4.3	427,189	90.4%	71,275	n/m	3.3	n/a	0.17	0.19	1.3
Germany	Average				367,057	10.6%	272,619	16.7	13.8	9.5	0.77	n/a	10.3
Italy	Average				340,457	12.4%	849,244	32.5	26.1	20.4	1.22	7.43	16.2
UK	Average(1)				155,530	69.9%	351,526	n/m	27.9	7.5	1.74	3.87	n/m
UK	Median(1)				122,202	29.9%	120,178	n/m	34.0	17.3	0.90	3.34	n/m
Total	Average(1)				234,821	26.8%	374,261	27.2	26.0	17.0	1.27	5.16	14.2
Total	Median(1)				153,913	20.8%	143,945	27.7	24.1	18.6	0.83	5.23	14.7

(1) Excluding Kingsbridge Holdings
Source: Reuters as at close 3 April 2003, company data

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Valuation: Swiss IAM Valuation Multiples

- Since there are no listed Swiss IAM's and since there have not been any significant number of M&A transactions, where some sort of average could be derived, the only major point of reference is the Swiss Private Banking sector, especially for the smaller deals
- The multiples that we think are the most comparable are Earnings (P/E) and Net Revenue multiples, rather that AuM multiples, where the net margin that the IAM actually retains is not reflected. Thus, we think that the following multiples can be applied to a quality franchise with positive growth and (at least near term) profitability in the following order of priority:
  - P/E 2003E of 12-17x, P/E 2004E of 10-15x
  - P/Net revenues 2002A of 1.5-2.0x

Company	Price (local)	% of 52w high (%)	Mkt Cap (CHF MM)	Comm./ avg. AuM (%)	% of Net Revs=PB (%)	% of AuM=PB (%)	P/AuM 2002 (%)	P/Net Revs 2002 (x)	P/Employee 2002 (CHF)	P/E 2001A (x)	P/E 2002A (x)	P/E 2003E (x)	P/E 2004E (x)	P/B 2002A (x)	ROAE 2002A (%)
UBS	61.8	73.1%	73,064	0.81%	37.5%	52.0%	3.6%	2.1x	1,057,961	14.7x	20.7x	16.5x	13.1x	1.9x	8.6%
Credit Suisse	25.2	41.5%	30,942	1.17%	23.0%	34.1%	2.6%	1.1x	394,384	19.5x	n/m	10.5x	7.9x	1.1x	n/m
Julius Baer	251	43.5%	3,038	0.71%	42.9%	51.9%	2.9%	2.7x	1,336,175	13.5x	16.6x	16.5x	13.4x	2.0x	11.7%
Vontobel	16.9	41.0%	1,003	0.61%	41.3%	39.0%	2.2%	2.3x	1,131,080	11.1x	n/m	16.7x	12.2x	1.0x	0.2%
Sarasin	1,420	41.8%	868	0.61%	n/a	53.9%	1.9%	2.2x	677,912	9.4x	n/m	19.8x	13.5x	0.9x	3.0%
Banque Privee E. de Rothschild	7,200	70.7%	648	0.00%	n/a	n/a	1.9%	n/a	720,000	8.6x	n/a	n/a	n/a	0.9x	10.9%
Minimum				0.00%	23.0%	34.1%	1.9%	1.1x	394,384	8.6x	16.6x	10.5x	7.9x	0.9x	0.2%
Maximum				1.17%	42.9%	53.9%	3.6%	2.7x	1,336,175	19.5x	20.7x	19.8x	13.5x	2.0x	11.7%
Average				0.65%	36.2%	46.2%	2.5%	2.1x	886,252	12.8x	18.7x	16.0x	12.0x	1.3x	6.9%
Median				**0.66%**	**39.4%**	**51.9%**	**2.4%**	**2.2x**	**888,980**	**12.3x**	**18.7x**	**16.5x**	**13.1x**	**1.0x**	**8.6%**

Source: Reuters as at close 3 April 2003, company data

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Conclusions

- The IFA and particularly the Swiss IAM proposition will remain a most attractive business model going forward
- The client relationship is at the core of the IFA value proposition
- It is critical to focus on operational efficiency
- IFAs need to pro-actively deal with strategic issues (succession, scale, compliance, etc)
- M&A is a strong option to gain critical mass, but it does not mean that smaller players necessarily need to give up control, as the previously described co-operation model shows
- There are several co-operation models between IFAs/IAMs and banks or insurance companies being applied, but the one that we have previously described in more detail has clear benefits to the others for both sides:
  - The outsourcing of non-core functions to a product & services provider will have significant efficiency benefits to any type of IFA
  - The current main IAM shareholder/business manager remains in control to benefit from the achieved financial benefits
  - At the same time it enables the product & services provider (bank/insurance company) to leverage its platform and to distribute its fixed operating costs over more business without having to acquire and integrate whole IFA/IAM franchises