

For Immediate Release

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CIFA 2003 Conference, Geneva Update:
Prosperous Future for IFAs and IAMs Still Possible

In a keynote speech at the CIFA 2003 Geneva Conference, Ray Soudah, Founder of MilleniumAssociates highlighted the key success factors required by industry participants to endure the current market downturn for traditional Independent Financial Advisers and Swiss Independent Asset Managers. He argued that IFAs and Swiss IAMs should focus their offering and seek alliances with product providers as a means of implementing growth and cost cutting measures.

Mr Soudah presented his conclusions on the trends facing the traditional independent financial advisers (IFAs) and the Swiss Independent Asset Managers (IAMs) and the alternatives available for players wishing to enter the market or expand their service offering whilst reducing costs. Mr. Soudah believes the financial advisory sector is becoming relatively more attractive to affluent, high net worth individuals, and to certain corporate customers. Such clients benefit from the open architecture offering of this business model and the qualified advice connected to it. The main issues that this distribution channel faces is keeping up the high revenue growth rates that have been achieved in the past while achieving critical mass and/or improving efficiency and profitability in this most difficult market environment for many years.

The IFA industry has experienced major changes in the recent past, but the jury is still out as to what is the best client proposition and the best business model for future success. There are only two facts that everyone agrees on: (i), the most important part of the value chain is owning the client, and (ii), that IFAs are a key distribution channel for product providers, and represent the channel with one of the highest potential growth rates.

For positive growth, the key issue is to focus on client needs, which is increasingly advice based products from a trusted adviser. From that perspective the Swiss IAMs are far ahead of the other types of IFAs in terms of taking on a "relationship" advisory role rather than focusing on trying to close a product sale to maximise short-term commissions - as many traditional UK IFAs still do today.

Focussing on insurance and/or banking products is also important, particularly in an environment where pensions or life products are significantly easier to sell than equity based investment trusts.

Other important but less critical factors to consider from a profitability perspective are brand, reputation, third party versus in-house production of key products, and depth of product offering.

The main business model issue that many IFAs should devote more time to is which market segment to focus on, and what that choice implies. Many IFAs do not realise that focussing on affluent clients rather than HNWIs means that they will need to be significantly larger in size to achieve critical mass. Many do not consider that an affluent focussed business model really means "mass market". Thus, smaller players do not really have a choice and need to focus on the upper end of the market to be profitable.

Mergers & acquisitions are clearly the best and quickest way to gain critical mass, but past experience shows that they need to be handled very carefully and sensitively. Certain players are now paying the price for an over-aggressive acquisition strategy, which did not provide the requisite incentives to all parties involved, and thus are now likely to break apart.

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 right product & services provider is critical. Outsourcing non-core products & services as well as back-office functions is key not only for smaller players, and of course could also be pursued in addition to gaining

Note to Editors

MilleniumAssociates AG is headquartered in Switzerland, the heart of the Wealth Management Industry. The firm specialises in advising on Mergers and Acquisitions and strategy consulting with emphasis on private banking, family offices, asset/fund management and other Wealth Management businesses including life insurance. As a Swiss-based corporation, MilleniumAssociates AG is not part of an integrated investment house and the firm is therefore uniquely positioned to offer independent pure advice in order to maximise shareholder value for its clients.

Members of the team of experienced specialists have managed in the past, amongst other important deals, the acquisition of **Global Asset Management** with about CHF 20 billion assets under management, by UBS AG, the sale of **Brundage, Story & Rose LLC**, a manager for HNWI with CHF 74.5 billion AuM, to Bessemer Trust, and the sale of **Forum Capital Markets** to First Union Corporation, and have participated in the acquisition of **Brinson Partners** by former Swiss Bank Corporation. In the fourth quarter 2000, MilleniumAssociates advised Credit Suisse on the purchase of **JO Hambro Investment Management**, a premier UK investment manager and hedge fund