



### **The ultra-HNW are Swan's lake**

Published: January 1st, 2003

Issue: Private Banker International - PBI172

An 18-month-old Frankfurt-based wealth management advisory company is bucking the trend and finding growth in an otherwise depressed marketplace for the very rich. Part of the secret of Swan Wealth Management, which is linked to Deutsche Bank, is to outsource a whole range of functions in a clever "best-of-breed" approach.

Since its formation in May 2001, Swan has a fine-focus concentration on managing assets of ultra-wealthy customers and families on a scale of at least €10 million (\$10.05 million). Its founder is Ottmar Ruoff, the firm's managing partner and who, before launching his wealth venture, was the managing director responsible for Deutsche Bank's worldwide private banking operations.

#### ***A totally-outsourced operation***

Ruoff dreamed up the idea of a venture that, in gearing up to service the increasingly complex needs of the very rich, functioned as a totally outsourced operation - able to draw on a whole range of expertise from high-grade third-party suppliers. That's why the banker likes to describe himself as a "mediator".

Swan provides its clientele with classic financial management, like asset management and investment consulting, along with banking, legal and tax advice. It offers family office services and can help in the establishment of foundations and trusts, as well as estate planning, using a global network of specialists. Swan sits at the centre of this network as lead-adviser, fine-tuning a whole range of needs for the very rich families of Europe.

Ruoff says that, crucially, he can offer customers more than just the administration of financial products within a private banking portfolio, adding, "We co-ordinate and pass on tailor-made knowledge, experience and competence to give the [client's] fortune a form and shape. As a mediator, I offer my customers solutions of a special kind by offering answers to all sorts of questions regarding family wealth."

Swan has a close relationship with Deutsche Bank, but is careful to describe itself as "an independent partner" of the German banking giant. Ruoff owns 50.2 percent of the company; 25.2 percent is owned by Deutsche with the remaining 24.6 percent held by Dr. Aldo Fozzati, of Fozzati & Cie, an M&A specialist firm.

Swan started with the aim of achieving a total investment volume of €3 billion in the first three years. Ruoff won't disclose figures, but says the company is on track to achieve this.

Despite the hurricane blowing through world financial markets, Swan, as an intermediary company, is "not affected by the negative circumstances in the market since wealthy people need advice in these times," he notes. "Our development since May 2001 is above budget."

The company will still restrict itself to a target customer base of up to 70 wealthy individuals and family groups, rather than trying to be more ambitious. "We will not altering the target to achieve a customer base between 50 and 70 wealthy families until 2004," he declares, noting that Europe holds the largest - 32 percent - market share of ultra-HNWIs in the world and so gives Swan a large market to tap into.

So far, the client base has proved to be well diversified outside Germany. Between 50 and 60 percent are from Germany while the "rest are European, for example in Italy and the Netherlands, as well as American customers."

### ***Linking with partners***

Ruoff says this confirms that his outsourcing business model is robust. As many pressured competing wealth providers are currently finding in the current downturn, creating a complete, broad infrastructure "would not be efficient in terms of costs, resources, quality of service and so on."

Swan instead is linked with a network of "best class partners" and multinational resources across many different fields of interest. It coordinates external expertise across regional, national, technical and institutional boarders. Co-operation exists with banks, legal and tax advisers, yacht management companies, real estate specialists and consulting partners, Ruoff notes.

But with its strong affiliation to Deutsche Bank, doesn't the Frankfurt bank get the lion's share when it comes to investment management requirements of clients?

Ruoff says, "Our first choice for investment management is, of course Deutsche Bank. We recognise also that the requirements of families of significant wealth are different, so therefore we are free to work with other institutions, for example, family offices. This is a quite normal situation for our clientele and their diversification through their family offices."

The banker agrees that the US family office-type concept is becoming firmly entrenched in Europe. "We believe strongly in the concept of family offices to serve and manage family wealth. We help to intensify the idea of the "real family office" by providing additional wealth services, e.g. concierge services, art and philanthropy-related issues like foundations, endowments and charitable organisations."

### ***Model thriving as others falter***

As other private banks falter, Ruoff insists that his timely, efficient model is proving the right way to go.

"The fact that the wealth industry is under pressure to provide more complex solutions to client's needs is one of the reasons for founding Swan. We are providing 'best of class' solutions as an intermediary with additional services, in all a new approach in the ultra-HNWI segment."

Perhaps surprisingly in such recessionary times, Swan claims success for its yachting and yacht chartering activities, where it teams up with specialist partners.

Ruoff explains, "The luxury segment (51- to 80-footers) within the

yachting industry was extremely successful in 2001. The market for motor yachts was growing 10.8 percent in 2001 while sailing yachts had a growing market of 12.2 percent in terms of business value. For 2002 the expectations are up to 7 percent in this market segment, more than the average market growth."

Finally, Swan is looking to expand carefully in countries where private banking has a track record and where the company "will be of interest as a new approach to customers." One focus this growth will be partnerships with networks of large independent financial advisers, he indicates.

"Currently, we work together with two IFAs and we are looking forward to finding new IFAs as network partners."