

# Wealth

BULLETIN

DOW JONES

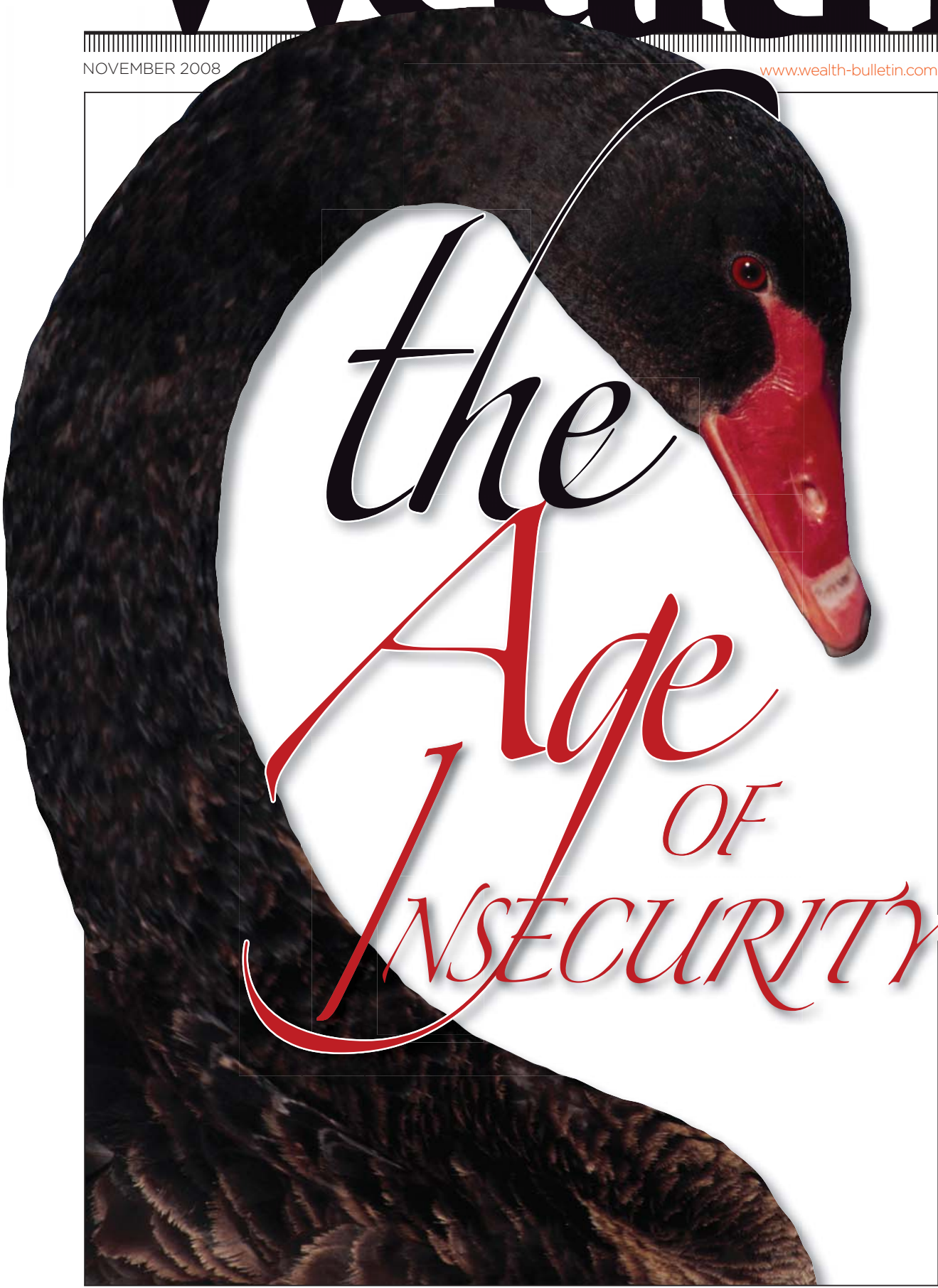
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THE  
NEW  
LOOK  
BODY  
GUARD

Page 13



the

Age  
OF  
INSECURITY

INSIDE

The  
Quandt  
family  
style

Page 9

Plus...

Safe haven  
security stocks

Sarah Deaves  
networking

Montblanc  
underwriting  
luxury

Crime really  
does pay

Peter Sartogo  
Italian nexus

Offshore centres  
under attack

HOME SECURITY ■ SAFE DEPOSITS ■ TRUST IN TRUSTS ■ FINE ART PHILANTHROPY

# The value of aligning interests

By James Rutter

When the dust settles from the financial crisis, multi-family offices are likely to be among the winners in Europe's wealth industry.

These businesses, which tend to advise ultra-wealthy families, expect to benefit from the damage wrought to the reputations of investment banks.

Geneva-based **Global Wealth Management** manages €2bn (\$2.6bn) for about 30 European and Middle Eastern families alongside its founders, the Pallavicini family.

Peter Sartogo, its managing partner says multi-family offices have until now failed to promote themselves effectively in Europe. "One of the reasons multi-family offices haven't grown as rapidly as might have been expected is that clients simply don't know they exist. At the same time, there is no winning formula for a multi-family office – everyone does it differently."

Sartogo was an investment banker for 15 years: "I think of it as my military service," he laughs.

He joined GWM three years ago. It was set up in 2000 by Sigieri Diaz Pallavicini, an Italian banker whose family winemaking business traces its roots back to the 17th century.

The firm's corporate motto is "aligning interests". It charges clients a fee of up to 1% to cover running costs and a percentage of whatever net performance it delivers.

This year, like so many others, GWM will struggle to deliver positive returns although Sartogo says performance has been bolstered by a long position in the US dollar, for clients prepared to take that view.

He says: "As well as our core portfolios we have a percentage of assets exposed to a tactical overlay. We are more aggressive for some clients than others."

GWM uses external advisers to help formulate investment views and select third-party advisers. Sartogo says the beauty of true independence



Diaz Pallavicini (left) and Peter Sartogo: promoting multi-family offices

is being able to go anywhere for good ideas.

He adds: "We use private banks for what they are good at. Certainly, they are not good at everything, but it would be wrong to say they are not good at anything."

By using its buying power GWM can cut fees for banking services by half. It has 40 staff in Europe, and relationship managers are expected to look after no more than 10 families, each with at least €10m to invest. The firm has just set up an independent merchant banking arm.

"Our clients are in a range where big investment banks would like to work with them but the families are often wary of large institutions," says Sartogo. The firm advises clients on selecting investment banks for corporate advice and financial structuring.

GWM is paid according to performance delivered net of costs, meaning it drives a hard bargain when negotiating fees with third parties.

Advice to family businesses is one of the firm's strengths. It was recently hired to advise the septuagenarian owner of an Italian retail business whose children had no interest in taking over the business. GWM was given a three-year mandate to oversee

a new business plan and hire talent.

Large institutions have also tried to develop close ties between their investment banking and wealth advice. But Sartogo is a sceptical: "They have a disalignment of interests. Investment bankers need to make money for the bank to earn money for themselves, whereas we get paid a percentage of performance." WB

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