

## A survivor in the dwindling hedge fund universe

### Face to Face

Bernard Sabrier, chairman of Unigestion, looks forward to the opportunities the crisis will bring, says **Steve Johnson**

Bernard Sabrier, chairman of Unigestion, fears many in the western financial sector have "lost their minds" in recent years, with grossly inflated remuneration and performance expectations.

But in such a dog-eat-dog world the demise of some participants should strengthen the survivors. "We will not have seen in the past 40 years so many opportunities as we will see in the next two or three years," he says. "The trouble is how much pain we will have to endure first."

Mr Sabrier, who has run Unigestion since buying it from his father in 1976, is planning a number of new initiatives to take advantage of these opportunities.

The Geneva-based company has already raised the necessary firepower for a Distressed Hybrid fund of funds that will draw on the expertise of both its private equity and hedge fund teams to look for "opportunistic" deals in consumer and commercial credit, corporate loans, mortgages, high yield debt and distressed private equity and real estate.

"We think the frontier between private equity and hedge funds is becoming more blurry and there will be a lot of hybrid products," Mr Sabrier says.

Unigestion is also poised to launch two more vehicles in the first half of 2009 designed to take advantage of deep discounts and distressed sellers; a secondary private equity fund of funds and a credit fund of hedge funds.

Next on the launch pad in the second half of 2009 will be a Global Sustainability

private equity fund of funds, exposed to companies operating in areas such as water treatment, solar power, pollution abatement and waste management.

This burst of activity is driven more by opportunism than desperation. Thus far, Unigestion has survived the global financial storm better than most of its peers.

Asset flows have been essentially flat this year, although market declines have pulled assets under management down from €8.3bn (£7.2bn, \$10.5bn) in the summer of 2007 to €8bn (as of September 30).

In spite of this, Mr Sabrier asserts: "We have never been in a better position than we are now. Our capital [more than €100m, five years of operating expenses] is intact, we have zero leverage and our core products have never before performed as well relative to our competitors."

**'A limited number of shrewd investors will be able to take advantage of some big dislocations'**

Following an abortive foray into banking – Unigestion bought Banca della Svizzera Italiana in 1987 before selling it to Swiss Bank Corp four years later – Mr Sabrier has focused most of his attention on developing its expertise in three investment niches; hedge funds, private equity and minimum variance equity portfolios.

Although Unigestion retains a small private banking operation, accounting for 15 per cent of its assets, this has not been a strong focus since the mid-1990s with most remaining clients described as "friends and family".

Private banking is likely to remain a sideline. "The core of our business is offering pension funds and insurance companies tailor-made



solutions for their satellite investment strategies."

Unigestion's suite of hedge fund offerings has held up well amid the market chaos, with generally small single-digit declines in the first nine months of the year. With equity markets in freefall, its focus on strategies such as tactical trading, global macro, commodities and currency has been rewarded.

### Curriculum Vitae

**Bernard Sabrier**

**Born:** 1953

**1976:** Bought Unigestion from father

**1976:** Chairman, Unigestion holding

**2003:** Special adviser to the board of HSBC Private Bank

"Depending on the strategies there is more or less correlation with equities and protection in down markets.

"If you want to be really uncorrelated with equities you should not have long/short equity strategies," he adds in an attack on the most commonplace hedge fund strategy.

"The problem is that over time people believed hedge funds were an asset class, an

**2004:** Member of the advisory board of Marshall Wace UK

**2006:** Director, Nestlé Capital Management, UK

**2006:** Member of the advisory board of Greater Pacific Capital Partners

**2007:** Special adviser to the board of SAM Group

absolute return product. They were sold like a four-wheel drive, something that produced no matter what the conditions."

Mr Sabrier believes the current crisis will spell the end of "complacency and mediocrity" in the hedge fund industry.

"We are back to the good old days of hedge funds where a limited number of low key, very shrewd investors or traders will be able to take advantage of some big dislocations."

Unigestion's private equity offerings have also held up reasonably well so far, although Mr Sabrier predicts a tougher 2009. But this in turn may create opportunities, with infrastructure on the radar screen alongside distressed assets.

Minimum variance – a quantitative technique that aims to deliver higher returns with about 30 per

### Unigestion

**Established:** 1971

**Assets under management:** €8bn as of 30 September 2008

**First investment in hedge funds:** 1986

**First investment in private equity:** 1988

**First investment in minimum variance equities:** 1995

**Employees:** 157

**Offices:** Geneva, London, Paris, New York, Singapore. Guernsey

**Ownership:** Private. 81 per cent owned by management and board of directors, 6 per cent Baloise Holding, 4 per cent HSBC Private Bank

cent less volatility than market cap-weighted indices, and is largely successful in doing so – is also seen by Unigestion as a "satellite" strategy, even if some investors believe it has outgrown this label.

"Some of our clients, especially insurance companies, tend to believe more and more that it is a core strategy," says Mr Sabrier, pointing out that the lower volatility allows insurance companies to increase their exposure to equities without breaching solvency requirements.

As to adding more strings to Unigestion's bow, Mr Sabrier muses over the possibility of adding an Asian fund of hedge funds business or a real estate team. Now might be a good time to expand: "We have to build when people do not have the appetite."

Similarly, Mr Sabrier would be keen to sell a 5-15 per cent stake to a Chinese or Indian company as a means of expanding Unigestion's reach. "Most probably when this crisis is done, this is a region where the growth will be. Maybe we need a formal partner in that region."

Unigestion's management and directors recently upped their holding from 75 per cent to 81 per cent by buying out Zulauf Group, a Swiss hedge funds group.

But Mr Sabrier is not planning to lose his head in a rush to expand.

"We are not in the business of asset gathering. We know the clients we want to deal with. It's about having enough assets to be a reasonable player without compromising on performance or flexibility."