Vontobel

Leading with skills

For institutional investors only.



—
Christel Rendu de Lint
PhD, Co-CEO

—
Georg Schubiger
Co-CEO

Introduction

Our industry is changing in ways that matter directly to clients. Three developments are reshaping the wealth management industry: generational wealth transfer, demographic change, and regulatory transparency. Together, they increasingly require institutions to objectify their value added. Clients today can compare more easily than ever before. As wealth passes to a partner or the next generation and expectations evolve, long-standing relationships alone are no longer enough. Institutions will need to show that they understand what individual clients are trying to achieve, can connect the right investment expertise to their goals and can demonstrate the strength of these capabilities.

The same reckoning is arriving from the institutional side of our industry. The old promise that scale delivers profitability has broken. Scale alone is no longer enough. The industry has more than doubled in size over two decades, yet profitability has not kept pace with assets. At one end, in the passive space, genuine scale competes on cost. At the other end, in the active space, demonstrable skill competes on merit. The comfortable middle, where much of the industry has quietly lived, is under severe pressure.

So the two halves of our industry, private wealth and asset management, are being pushed toward the same conclusion: skill that can be shown, measured, and defended is becoming a critical condition of success. This is precisely the ground Vontobel has chosen. Our model is distinctive: one investment factory drawing on the same expertise and operating to the same institutional standards for all our clients, private or institutional alike (Investment Skill). These capabilities are then actively tailored to each client's specific objectives, needs and circumstances (Client Skill). We believe this model becomes even more valuable as the forces described here continue to accelerate.

This paper is the first of three exploring what it means to lead with skills. It sets out our set-up at Vontobel and the conviction that underpins it. The second, ***Investment skill: What it means to be active***, examines investment skill and what active management means in practice. The third, ***Client skill: The other half of active management*** looks at the complementary side of the equation: the judgment to understand what matters to each client, connect them with the right capabilities, and aim to ensure they invest in a way that improves their outcome.

Comparing in full transparency

The most structurally significant shift to come to our industry will be generational. The generation currently in their twenties and thirties has grown up in a world where everything is shown, shared, and compared. Financial performance will be no exception. Capgemini's 2025 World Wealth Report[1] found that 81 % of next-generation high-net-worth individuals plan to replace their parents' firm within one to two years of receiving their inheritance. This generation does not automatically keep the relationships their parents built. It inherits assets — and then decides which institution has earned the right to manage them. The most immediate accelerant is in fact already underway as assets transfer between and within generations. A particularly significant part of this shift is the transfer of wealth to women, due to their longer life expectancy. Women currently control approximately one third of retail financial assets in the United States and Europe[2], a share projected to reach 40 to 45 percent by 2030, driven for now in large part by longevity: women statistically outlive their partners, and the assets follow. Clients who inherit wealth — particularly those who did not build the original banking relationship — are significantly more likely to reconsider their existing institution. Each transfer is a moment of fresh evaluation. For many families, inheritance is not just a transfer of wealth — it is a moment to reassess goals, priorities, risk tolerance and the institutions they chose to trust.

The regulatory direction reinforces what the generational and demographic shifts are producing. MiFID II, Switzerland's FinSA, and equivalent frameworks have moved the industry decisively toward greater transparency on performance, costs, and the value clients receive[3]. Legal requirements are targeting the information the next generation will demand proactively.

These three forces are not sequential. They are simultaneous. And they converge on the same conclusion: an observable and externally validated investment track record and the ability to understand what each client actually needs will be a necessary condition for engaging the clients of tomorrow. Institutions that cannot demonstrate genuine investment and client skill will find the ground increasingly unstable.

At Vontobel, we have been building and honing this foundation for years.

1 Capgemini Research Institute, World Wealth Report 2025

2 McKinsey & Company, The New Face of Wealth: The Rise of the Female Investor, 2025; Women as the Next Wave of Growth in US Wealth Management, 2020 (women's share of financial assets and projected growth)

3 ESMA, MiFID II Articles 24 and 25; FINMA, Swiss Financial Services Act guidance

Where investment and client skill are inseparable

We lead with skills, not scale. This choice is deliberate. And it is a choice most of our industry can no longer articulate: barely one manager in four says they have clarity about their own strategy and industry positioning.[4] Conviction about what we stand for is, in itself, becoming rare.

Investment skill is about delivering tangible and observable investment performance; client skill is about knowing which solutions are right for a particular client at a particular moment in their life.

Clients do not come to us because we are aggressive in lending. Because we are not. They come to us for investment and client skill: discipline, traceability, repeatability, the right fit for every client we serve.

Our definition of being active managers for our clients is simple but consequential: active management is deliberate investment judgment — making explicit choices wherever these choices matter for the client outcome. Skill is this judgment exercised well — consistently, accountably, and in ways that aim to improve the outcome. Performance over time is how this skill is ultimately demonstrated. In passive investment management, scale is the primary differentiator; it drives down cost and is ultimately the only sustainable competitive advantage. We believe this is a rational and legitimate business. It is not ours. In highly efficient, deeply liquid markets, passive is often the right choice, and we would not argue otherwise.

Yet passive cannot do everything. And active judgment does not stop at security selection. Increasingly, it also means combining investment capabilities into solutions built around a client's specific objectives, constraints and desired outcome — deciding not only what to own, but how the pieces should work together.

Indeed, multi-asset allocation is the most consequential investment decision most clients will ever make. Yet it is often the decision clients spend the least time discussing. Getting asset allocation right generally matters far more for overall performance than selecting an individual fund or security. How much risk to take and in which asset classes — no index answers these questions. Why would you leave this decision in any hands other than those of investment professionals with a demonstrated track record on precisely these asset allocation decisions?

Fixed income indices allocate the most weight to the most indebted issuers. A passive fixed income investor is, by construction, most exposed to those who owe the most. Active management in fixed income is not merely an opportunity to add value; it is a correction of a questionable construction bias. Fixed income segments also come in different forms and shapes and, very much like the asset allocation decision, deciding which segments to invest in is also an active decision for the end client — one that requires skill.

Outcome-driven portfolios, private markets, and impact strategies can hardly be indexed. Currency management, often treated as an afterthought, can be a decisive driver of portfolio outcomes — particularly in stress scenarios.

If investment skill determines where and how to invest, client skill determines which investment capabilities to deploy for which client. Neither is sufficient on its own: investment skill can only improve a client outcome when it is matched to the right client, objective, and circumstance.

4 Albertha Charles, PwC "AWM Revolution 2025" The Archetype Advantage

What it takes to build and sustain genuine expertise

In our view, it is difficult for an institution to simultaneously run a large passive business and house genuinely skilled active investment teams. Not impossible. But difficult. The reason is not commercial. It is cultural.

It starts with genuinely believing that investment skill exists, is rare, and is worth protecting. To succeed, investment professionals must have investment views and strong ownership of those views. Ownership, one of our three values, requires autonomy to apply independent judgment. At Vontobel, our investment teams operate with full autonomy over their investment process, but total accountability to clients and to the firm. The teams make their own decisions. This autonomy is a design choice.

It demands tolerating underperformance with discernment. The leadership challenge is to distinguish between a team going through a rough patch and one whose process is broken. These look identical in the short term. Outperformance should be looked at in the same critical way — that is, to ascertain its legitimacy and sustainability. A point often overlooked.

This culture and this judgment take years to build. They are not something an organization can acquire overnight. That, more than anything else, is why genuine investment expertise is a durable competitive advantage.

A word on artificial intelligence. Nobel laureate Daron Acemoglu, whose work has also extensively examined the economics of AI, draws a distinction that matters here[5]. AI can do two fundamentally different things: automate tasks that humans were already performing, potentially displacing them, or create new capabilities that augment what skilled humans can do.

Active investment management and client relationships will be no different. Tomorrow, we believe the best human skills will be augmented, not replaced, by the best tools available. AI raises both the floor and the ceiling of the industry. This accelerates the survival of the fittest: it weeds out the weakest and helps make firms accelerating their own competitive edge with AI come out on top. Leading with skills is not a defense against AI. It is the condition for benefiting from its full potential to augment human capabilities.

[5] Daron Acemoglu and Pascual Restrepo, "The Wrong Kind of AI? Artificial Intelligence and the Future of Labour Demand," Cambridge Journal of Regions, Economy and Society 13, no. 1 (2020): 25–35

One distinctive model, ready for what is coming

Clients increasingly want two things at the same time: institutional-quality investment expertise and solutions tailored to their individual circumstances. Vontobel is designed around both: one investment factory and two client segments. The same investment expertise — the same teams, the same processes, the same standards — serves both our private clients and our institutional clients. What differs is specifically not the underlying quality of investment management. It is the structuring, the tailoring, the relationship, and the service model. The exchange runs both ways: institutional discipline is brought to private clients, and outcome customization to institutional ones.

Because our investment teams compete in the open market for institutional mandates, private clients benefit from capabilities that are tested against some of the world's most demanding investors. They win or lose on merit. This institutional competition continuously validates and sharpens investment quality, benefiting our private clients as well.

As the name suggests, the relationship manager is the person who holds the relationship with the client. Investment performance and client outcome are not the same thing. The distance between them is where the relationship manager works. A client who holds a performing strategy but exits at the wrong moment — because, for instance, it was too risky for their needs and constraints — will have been ill-invested. Strong investment capabilities are essential. But they create value for clients only when they are applied in a way that captures their goals, constraints and desired outcomes.

What makes our model genuinely distinctive is not any single element in isolation. It is the way the elements reinforce one another over time. The stability of our private client base provides a revenue foundation that is not held hostage to short-term institutional flows. This stability gives our investment teams the freedom to hold conviction through a difficult quarter, to manage through the inevitable periods of flows ebbing out of their strategy, without existential pressure. Teams with this freedom attract and retain some of the best investment professionals, because they want to work somewhere their judgment is trusted, their process is protected, and they have stability. These teams, in turn, win and retain institutional mandates on merit, which validates, independently and transparently, the quality available to our private clients.

The traffic on this bridge truly runs in both directions. Private-client proximity strengthens our ability to design around outcomes, which increasingly matters to institutional clients. Decades spent building portfolios around individual clients' objectives, constraints, and time horizon have taught us to start from what the client needs, rather than from a given strategy, however performing or successful it is in itself. Institutional clients increasingly expect the same approach. They are no longer buying a building block off a shelf. They are asking us to understand their liabilities, their governance, and their own end beneficiaries, and to design customized solutions accordingly. That client-first mindset, refined over generations in private wealth, can turn an institutional mandate into a true partnership.

Private client stability supports investment excellence and keeps pushing boundaries on customization. Investment excellence earns institutional validation. Institutional validation strengthens private client confidence.

Two forces are transforming the industry from opposite sides. Private wealth is being pushed toward greater transparency and proof of value; asset management, unless passive, is being pushed toward genuine edge. Both point to the same conclusion: clients need institutions that can demonstrate expertise and then apply it in ways that genuinely improve outcomes.

We believe Vontobel's model — leading with investment and client skills, with one investment factory serving private and institutional clients with the same rigor and the same accountability — is built for where the industry is going.

Disclaimer
This document has been produced by one or more companies of the Vontobel Group (or "by Vontobel entities") for institutional investors only. This document is Content provided for informational and educational purposes only. The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. Past performance is not a guarantee of future results. Investments involve risks including possible loss of principal.

Views expressed in this material are the views of Vontobel and are subject to change without notice, as of the date of this material. In preparing this material we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Opinions and estimates involve assumptions that may not prove valid.

Further, this material contains projections and other forward-looking statements regarding future events, targets, or expectations. Such statements are based in part on current market conditions, which will fluctuate and may be superseded by subsequent market events or other factors. Historical market trends are not reliable indicators of future market behavior or the future performance of any particular investment and should not be relied upon as such.

Although Vontobel believes that it has taken due care in compiling the contents of this document, Vontobel does not warrant, either expressly or impliedly, the accuracy, correctness, or completeness of the information, text, graphics, or other items contained in this document, and the document should not be relied upon as such. Vontobel accepts no liability in respect thereof. All components of this document are protected by intellectual property laws and are the property of Vontobel or third parties. To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you.

Bank Vontobel AG
Gotthardstrasse 43
8022 Zürich

vontobel.com