Vontobel

Client skill: The other half of active management

For institutional investors only.



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Why relevance matters more than reach

The investment management industry is changing for private and institutional clients alike.

For a long time, success was often associated with scale. More assets, a larger number of products , wider distribution networks and greater market presence were natural indicators of strength.

Scale remains important. Yet at the same time, a different reality is emerging.

Clients today have more information, transparency, and choice than ever before. At the same time, wealth is transferring to the next generation at an unprecedented pace. In this environment, the ability to understand clients deeply and translate investment expertise into outcomes that matter to them will be ever more critical. Clients are not looking for more products or more general information. They are looking for trusted partners who understand their goals, help them make confident decisions over time and focus on guiding them toward the relevant capabilities. Competitive advantage will increasingly also arise from skill.

This idea is already well understood on the investment side of our industry. Active management exists because skill matters. Investors continue to seek investment managers who can apply expertise, judgment and conviction to generate differentiated outcomes.

But there is another dimension of skill that is equally and increasingly important: Client skill.

The ability to understand clients deeply, identify where expertise is genuinely relevant and build enduring partnerships may become just as important as investment skill itself.

For a specialist active investment manager such as Vontobel, this distinction is particularly important. We will not win by becoming a smaller version of the largest firms in our industry. Our opportunity is different: it lies in understanding the full context of our clients' investment objectives and risk appetite, and shaping together portfolios that support the jointly defined outcome.

The shift from scale to skill

The asset and wealth management industry is becoming increasingly concentrated.

Large firms benefit from scale in many areas. They can invest heavily in technology, operate broad product platforms, absorb regulatory complexity and achieve significant operating efficiencies. In many segments of the market, scale is a powerful advantage.

As investment offerings become increasingly abundant, clients' challenge is not access — it is identifying what is truly relevant to and suitable for their goals.

Which investment managers genuinely add value? Which partners understand their needs? Which capabilities and solutions fit their portfolios and personal objectives?

These questions favor firms that possess clear expertise and a distinct identity. In other words, they favor skill.

This is particularly true in active management.

The value of active management has never been about being bigger than the market. It has been about seeing something others do not see, understanding something others do not understand and acting with conviction where others hesitate.

The same principle increasingly applies to client relationships.

Client skill as a strategic capability

Traditionally, client engagement has often been viewed primarily through the lens of coverage: How many clients do we serve? How many client touchpoints do we have? How many markets do we cover?

These measures remain important, but they are no longer sufficient. The future will belong to firms that move beyond coverage and focus on relevance.

Client skill is the ability to identify where a firm's expertise can create the greatest value and where it is best placed to deliver for clients.

This skill is equally necessary when serving private and institutional clients. For private clients, it may mean understanding their personal circumstances, objectives, time horizon and preferences. For institutional clients, it may mean understanding liabilities, regulatory constraints and governance. The underlying skill is identical: clearly identifying what the client is trying to achieve and connecting the relevant expertise, where available, to that outcome.

It is the true ability to understand what clients are trying to achieve. It is the ability to expect needs before they become requests. It is the ability to build trust that deepens over years, rather than focusing on transactions that disappear after quarters.

Clients do not ultimately seek products for their own sake. They seek outcomes, and the role of Client Skill is to connect our investment expertise to the objectives that matter most to them.

The firms that master this capability will create stronger client engagements, greater loyalty and more sustainable growth than those that simply pursue broader reach.

More importantly, Client Skill is not only about understanding clients. It is also about understanding ecosystems. The future will increasingly belong to firms that identify where strategic partnerships can accelerate access, relevance and growth.

From investment alpha to client alpha

The concept of alpha is central to our industry.

Investment Alpha represents the value created through superior insight, expertise and portfolio construction. It reflects the ability to make better investment decisions than the broader market.

Today, Investment Skill means not only generating alpha but also connecting and shaping that expertise around client objectives. There is an equivalent concept on the commercial side of our industry: Client Alpha.

Client Alpha is not selling more products or simply increasing commercial activity.

Client Alpha is the ability to connect a client's needs more closely with the right investment expertise. It is the capability that transforms investment skill into relevance for the client.

Just as portfolio managers allocate capital selectively, successful firms must focus their time, attention and resources where they can make the greatest difference for clients.

Just as investment teams focus on the opportunities where they possess an advantage, organizations should focus on the relationships where they can create the greatest value.

From this perspective, Client Alpha and Investment Alpha are not separate capabilities. They are complementary expressions of the same philosophy.

One creates value. The other ensures that value reaches the clients who need it most.

The power of relevance

One of the most important questions facing an investment firm is not:
“How large is the opportunity?”

It is:
“How relevant can we become?”

Relevance is often a better predictor of long-term success than size alone. Relevance creates trust. Trust creates engagement. Engagement creates partnerships. Partnerships create durable growth.

For specialist firms, this principle is especially powerful.

The largest opportunities are not always found where asset pools are greatest. Often, they exist where expertise is genuinely valued, where private and institutional clients seek insight rather than commoditized solutions and where specialist capabilities are meaningful. In these situations, relevance becomes a competitive advantage.

The challenge is not simply to maximize the number of relationships. It is to deepen the right relationships by understanding each client and bringing them the most relevant expertise. In a world increasingly defined by abundance, relevance becomes scarce. And scarcity creates value.

Why this matters for Vontobel

These trends create opportunities for firms that combine specialist investing and structuring know-how with specialist client expertise. Vontobel occupies a distinctive position within this landscape,

We combine specialist active investment capabilities, entrepreneurial culture and a thorough understanding of our private and institutional clients.

Our intermediary relationships add another dimension. We serve private and institutional clients both directly and through intermediaries. Understanding the private end client is therefore part of the strength we bring, not a separate perspective to be added afterward.

These characteristics are not alternative strengths to scale. They are strengths precisely because scale is becoming more common.

Our future should therefore be defined not by the number of markets we serve or products we launch, but by the clarity with which we define where we can genuinely add value.

The strongest firms of the future may not be those with the broadest capabilities. They may be those with the clearest sense about where they create value for clients.

One firm, one client experience

Client skill is not the responsibility of a single team. It is an organizational capability.

Whether we serve clients directly or through an intermediary, they experience one Vontobel. They judge us not by our organizational structure, but by the quality and consistency of the experience we provide. They do not distinguish between investment teams, product specialists, relationship managers or support functions. They experience the quality of every interaction.

- The relevance of our insights.
- The consistency of our message.
- The expertise of our people.
- The degree to which we collaborate on their behalf.

This is why the idea of One Firm matters. Not simply as an organizational principle. But as a competitive advantage.

The more effectively investment expertise, client understanding and collaboration come together, the more relevant we become. And the more relevant we become, the more likely we are to earn long-term trust.

Leading with skills

The future of the investment industry will not be determined by scale alone. It will increasingly be determined by skill: Investment Skill, Client Skill and the ability to combine both.

Investment Skill remains the foundation of our industry. Without it, there is little lasting value to deliver. But Investment Skill alone is not enough.

Clients are looking for partners who understand their challenges, appreciate their objectives and can connect expertise to outcomes that matter. Client Skill creates that connection, and Client Alpha transforms it into growth. Together, they form a single idea and our competitive advantage.

For decades, the investment industry has focused on Product Alpha and Investment Alpha. Product innovation expanded choice. Investment expertise created differentiation. The next phase of industry evolution may increasingly be defined by Client Alpha.

Success will depend on the ability to connect expertise, personalization and trusted partnerships to the outcomes clients seek.

Investment Skill creates value. Client Skill ensures that this expertise is applied where it matters most to clients. Together, they deliver stronger client outcomes, build enduring relationships, and are designed to ensure Vontobel has a differentiating value proposition and sustainable growth in the future. At Vontobel, skill over scale is not only an investment philosophy. It is a client philosophy. And in a world where relevance increasingly matters more than reach, that may be one of our greatest opportunities.

The firms that will lead the future will not necessarily be the largest. They will be the most skilled at connecting their expertise with the clients they are uniquely positioned to serve.

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