**21 MAR 2023** Tom Wilson, Jennifer Grybowski

# What will a combined UBS and CS fund family look like?

- Deal would create $5trn AUM asset and wealth business
- Will strengthen UBS's wealth position in Southeast Asia, Latin America
- Combined $24bn fund family has little overlap in strategies

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UBS's deal to acquire Credit Suisse will create one of the world's largest asset and wealth managers with nearly $5trn in AUM and a more diversified global footprint.

For each of the firm's US fund line-ups there is not a huge amount of overlap, with Credit Suisse's smaller $6.3bn roster of non-core bond, commodities and alts funds joining forces with UBS's $15bn lineup dominated by its multi-manager PACE range of funds.

Speaking to analysts on Sunday, UBS chair Colm Kelleher said the deal was financially attractive for UBS shareholders for the upside potential, downside protection and opportunity to advance UBS's strategic plan to build the global business around its wealth management division.

For the wealth business, the addition of Credit Suisse will add around $600bn in assets, taking UBS's overall AUM to $3.4trn, the second largest in the world behind Morgan Stanley's $4.2trn.

"This acquisition is attractive for UBS shareholders but, let us be clear, as far as Credit Suisse is concerned, this is an emergency rescue," Kelleher said. "Acquiring Credit Suisse's capabilities in wealth, asset management and Swiss universal banking will augment UBS's strategy of growing its capital-light businesses."

CEO Ralph Hamers said Credit Suisse's wealth management footprint is broadly complementary to UBS's much larger entity, specifically highlighting Credit Suisse's position in Asia, the Middle-East and Latin America, supporting UBS's focus on growing in the Americas and APAC, where it is the largest wealth manager.

"Asia specifically will be complemented by Credit Suisse's leading position in Southeast Asia, which the UBS strategy was already focused on, so that accelerates our organic growth," he said. "They have a very good franchise in Latin America, which was a market we were looking at developing. They have capabilities in the wealth business that we don't have as developed. We can use those for the rest of the wealth franchise."

Hamers added that despite Credit Suisse's relatively weak position in the US, Credit Suisse's investment bank adds capabilities that will support the growth of its family office and institutional asset management.

UBS is targeting $8bn cost reductions by 2027 and expects the deal will become accretive to earnings per share by the same time.

**Combined US fund lineup**

Credit Suisse's $6.3bn roster of 21 mutual funds and ETNs has seen outflows of $1.1bn over the past year.

## Credit Suisse's mutual funds, by 1-yr flows ($m)

Source: Morningstar Direct, end of February

UBS's $15.1bn roster of 73 mutual funds and ETNs has seen outflows of $4bn over the past year.

Fourteen of UBS's mutual funds belong to the firm's PACE line-up, the firm's multi-manager funds used by its advisers. Some of the subadviser relationships on these funds include JPMorgan, MFS, BBH, Polen Capital, Wellington, GQG, Pzena, Calamos, and more.

Credit Suisse runs mutual funds in the bank loan, broad commodities, High yield, multi-strategy and systematic trend space.

Overlaps include in the high yield and multi-strat spaces, creating a potential for some consolidation.

Credit Suisse's $271m Credit Suisse Strategic Income Fund (CSOIX) has seen outflows of $183m over the past year and good performance, ranking in the top quartile of Morningstar's high yield bond category for the last one-, three-, and five-year time periods. UBS's $206m Pace High Yield Fund (PHYPX) has seen outflows of $50m over the past year and has been less successful in terms of performance, ranking in the second quartile for the last one- and three-year time periods, and the third quartile over five years,

Credit Suisse's $360m Credit Suisse Multialternative Strategy (CSQIX) has seen inflows of $330m over the past year and also has seen good performance, ranking in the top quartile of Morningstar's multistrategy over the past one and five years, dipping into the second quartile over the past three years. The $334m PACE Alternative Strategies Fund (PASPX) has seen outflows of $96m over the past year but has ranked in the top quartile over the last year, and in the second quartile over three and five years.

There is also some overlap within the ETN space.

Credit Suisse's 12-strong ETN roster largely focuses on commodities-based products, about two-thirds of which are leveraged or inverse. Leveraged/inverse ETNs within UBS's roster also number about half, although with less of a focus on commodities, with only three funds in that category.

UBS offers eight energy limited partnership ETNs, of which Credit Suisse only has one.

## Top ETN categories for UBS and Suisse

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