

Interview with Raoul Hinder, CEO & Co-Founder of Portfolio Consulting AG

"It's All About Transparency"

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All asset managers tell you that they are good. But are they? How can you evaluate their claims? [Portfolio Consulting](#), an independent service provider based in Switzerland and Germany, analyses on behalf of its clients the returns and costs of their asset managers and makes their performance and their risk transparent and comparable. Raoul Hinder is the co-founder and CEO of Portfolio Consulting AG. In this interview he explains how objective portfolio controlling works, what its benefits are and where the wealth management industry is headed.

MyPrivateBanking: What is Portfolio Consulting AG about and what are the services you offer to the clients of wealth managers?

Raoul Hinder: Portfolio Consulting Switzerland is about transparency. We started 16 years ago in 1994 with one client from Germany. He was a billionaire and had 13 bankers working for him. His problem was that he did not know who was the best asset manager among them, if there was a bulk risk across all of his portfolios or if he paid overall too much in fees. So we started in 1994 to compare this data. What we want to know is risk, performance and cost. We developed our tools to constantly monitor asset managers on a single manager level and on a consolidated portfolio level. At the end of the day that gives us the opportunity to have the best talent, as compared to their peer groups and benchmarks, managing the money of a client.

MyPrivateBanking: What do you consider today the biggest weaknesses in the relationship between a client and his wealth manager?

Raoul Hinder: What people really need to ask themselves is: do I need a new friend or do I need someone who manages my money carefully? People tend to forget why they really need a bank. It is not because of the nice social events. 90% of banks are not able to outperform their benchmark and they overcome that problem with emotional events for their clients for which they end up paying a lot of fees.

MyPrivateBanking: You have just started a new initiative to help clients reduce their

fees. What do you think is the average potential for a client to get a fee reduction after re-negotiation?

Raoul Hinder: Fees indeed are a huge transparency problem. We have founded "[Good Values](#)" which addresses just this issue. The average potential for fee reduction lies between 20%-80% of what one pays to one's asset manager. I can give you an example: we were able to reduce the cost of one client who uses three banks. Before optimization he paid overall 2.4% of assets per year, after optimization he paid 0.5% which was a massive cost reduction of 1.9%. You can imagine how happy that client was. There is one point I want to add: risk, return, and performance are much more important than the best fee conditions. Low costs help to increase the performance but if you really have an incapable asset manager you can have the lowest costs with this asset manager and you lose money. Better pay more for a talented asset manager than to have fantastic cost conditions.

MyPrivateBanking: Taking a look into the future, what do you see as the most important trends in wealth management, especially given the background of the financial crisis?

Raoul Hinder: In my opinion we are coming back to our roots. Bankers from the 14th to 16th century on were the trusted advisers of wealthy people who took their money paying 3% in interest and lent it to an entrepreneur who built a company or did international trading for say 7%. The bankers in these days had a very good feeling for people who were capable to build an intelligent business. The banker himself was an entrepreneur. Today we have completely lost this relationship. Instead we are selling products to the clients, like derivatives, hedge funds and so on. We have forgotten how to do intelligent entrepreneurial things with our wealth. But I think that will be the trend of the future.

MyPrivateBanking: Thank you very much for this interview.