



RCP & Partners GmbH

Risk rating of asset managers: the investor's measure of trust

UBS Global Asset Management Deutschland (UBS Global AM (DE))



Global Asset Management

Fiduciary Rating	2002–12–20		Previous Rating	
Business Rating	AA2–	Very good	○	○
Investment Rating	2+	Excellent	○	○
Outlook	↗	Positive	○	○
Asset Classes	Equities		○	
Geographic Universe	Global		○	
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Business Rating	Fiduciary Rating	Investment Rating
AAA	Excellent	1
AA1		2
AA2	Very good	3
A1		4
A2		5
A3	Good	6
BBB		7
BB1	Fair	8
BB2		9
B1	Unsatisfactory	10
Outlook		
↗ Positive	→ Neutral	↘ Negative

Assets under Management

2002–11–30	EUR m	Share	Portfolios
Total	3 968.4	100.0%	75
Spezialfonds ¹	2 527.5	63.7%	35
Mutual funds ²	1 009.5	25.4%	30
Others ³	431.4	10.9%	10

¹ including advisory mandates; UBS Invest² UBS Invest³ managed accounts; UBS-DE

The rating confines itself to the *institutional* and *mutual funds* business of **UBS Global Asset Management Deutschland (UBS Global AM (DE))**, which consists of the entities **UBS Invest Kapitalanlagegesellschaft mbH (UBS Invest)** and **UBS Global Asset Management (Deutschland) GmbH (UBS-DE)**, both located in Frankfurt.

The *Business Rating* applies to each of the aforementioned entities as a whole, while the only asset class investigated for the *Investment Rating* was **Global Equities**. Investment processes of other areas of investment or asset classes were not taken into consideration.

Strengths	Weaknesses
<ul style="list-style-type: none"> ✗ membership of important international financial services group with widely known brands ✗ structured, disciplined and well-documented investment process based on a world-wide uniform approach ✗ excellent global research network ✗ performance data certified according to GIPS and DVFA-PPS 	<ul style="list-style-type: none"> ✗ parallel operation of different front-office systems, with restrictions in functionality respectively support ✗ no separate risk management function outside the investment process ✗ organisational stability has suffered frequent disruptions in the past (mergers, acquisitions, fluctuation)
Opportunities	Threats
<ul style="list-style-type: none"> ✗ improved co-operation with German UBS units ✗ uniform global investment process provides strong product development platform ✗ management of a key product for international distribution in <i>UBS Invest</i> 	<ul style="list-style-type: none"> ✗ possible disturbance in consequence of front-office system change ✗ dependence on distribution partners in the mutual fund business ✗ business continuity plans not yet tested

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Business Rating	RCP Score	Investment Rating	RCP Score
Financial Strength	☆☆☆☆	Investment Process	☆☆☆☆
Business Management	☆☆☆☆	Research	☆☆☆☆
Administration and Risk Management	☆☆☆☆	People	☆☆☆☆
Client Care	☆☆☆☆	Performance	☆☆☆☆
Checks and Balances	☆☆☆☆	Client Diversity and Stability	☆☆
Coherence	☆☆☆☆	RCP Score: Minimum = ☆, Maximum = ☆☆☆☆	

Business Rating

UBS Global AM (DE) is tightly integrated in the global network of UBS Global Asset Management and thereby possesses the widely known brand of a globally acting company with regional roots. The corresponding legal entities resulted from a series of mergers and acquisitions, partly followed by losses of mandates and personnel as well as substantial changes to the investment style and process.

UBS Global AM (DE) pursues clearly outlined strategic goals in the areas of Spezialfonds, mutual funds and pensions, their implementation being supported — and controlled — by the close ties with the group division UBS Global Asset Management. It offers a focused product range for institutional and private investors, while only reaching a small market share. Its distribution of mutual funds is currently sustained less by other UBS-units in Germany, but rather by third party banks, insurances and agent pools. In the institutional area UBS Global AM (DE) has its own sales team, which was newly set up after the acquisition of the entity by UBS group. The intention is to significantly increase cross-selling effects.

UBS Global AM (DE) has a sufficient equity base, an experienced management team as well as an organisational structure with clear separation of functions and a separate CEO role. Functional and hierarchical reporting lines within the unit and towards the group division are clearly defined.

The introduction of a new front-office system was delayed due to special requirements. The documentation of business processes is not completed yet, business continuity plans are being revised and still have to be tested. On the other hand, compliance rules are well documented and the internal audit is effective.

So far, risk management outside of the investment process is not institutionalised, although there is a quarterly reporting to the UBS group.

Investment Rating

In the investigated area of global equities, the portfolio management of UBS Global AM (DE) is completely integrated with the globally uniform (for this asset class) investment process of the group division UBS Global Asset Management. The strongly team-based process is based on a fundamental evaluation approach with a longterm investment horizon, which still leaves enough flexibility for necessary adaptations. The basic component is a sector oriented international research team with more than 80 analysts, whose contribution is permanently reviewed using real sector portfolios. Apart from company visits, analysts draw on academic and “uncommon” (non-conventional) research sources.

The results and conclusions are provided to all participants on the global research platform and are used by the *Global Equity Portfolio Construction Team* to construct model portfolios, which — taking into account local or client-specific requirements — are implemented in all actual portfolios based on it; the discretion of the individual portfolio manager to take decisions is comparatively limited.

The separation of research, portfolio construction and implementation is supplemented by intensive controls of performance and risk of individual funds.

Over a period of 20 years, the — relatively small — global equity composite shows a significant outperformance against the benchmark at slightly lower volatility. During this time, the investment style remained to a great extent unchanged, but was introduced at UBS Global AM (DE) only in May 2001. Recently, this unit was certified according to both GIPS and DVFA-PPS standards.

Outlook

In view of the restructuring undertaken and the initiated improvements regarding risk management and IT we grade the Outlook as Positive.

Company	UBS Invest — UBS Invest Kapitalanlagegesellschaft mbH	UBS-DE — UBS Global Asset Management (Deutschland) GmbH
Address	Stephanstraße 14–16 D–60313 Frankfurt	Stephanstraße 14–16 D–60313 Frankfurt
Phone	+49–69–1369–5000	+49–69–1369–5001
Internet	www.ubs.com/deutschlandfonds	www.ubs.com/deutschlandfonds
Founded	1989/1973 ¹	1994/1992 ²
Employees	56	44
Services	Management and administration of Spezialfonds and mutual funds	Marketing and sales of Spezialfonds and mutual funds

¹ as Investmenttrust der SBG Intrag Deutschland GmbH resp. SMH Investment GmbH ² as UBS Anlageservice GmbH resp. SMH Capital GmbH