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Julius Baer: bare necessities

asset managers. *Kairos* indeed.

Talk about timing. Julius Baer's deal to increase its stake in Milan-based money manager Kairos Investment Management lives up to the ancient Greek meaning of *kairos* – the perfect moment to do something.

The Swiss group's focus on the bare necessities of wealth management has so far paid off: relative to tangible book value, Julius Baer shares trade at a premium to far bigger wealth manager-cum-investment bank rivals Credit Suisse and UBS, for example. It is also adept at bolting on stuff. And, with its integration of Merrill Lynch's non-US wealth management business bedded down, it is back on the front foot. It confirmed yesterday that it would lift its stake in Kairos to 80 per cent.

Kairos is growing quickly. Assets under management have almost doubled to €8bn since Julius Baer bought its initial one-fifth stake two years ago. That will lift the Swiss group's AUM by only 3 per cent. But Italy's economy is set to grow by 1.4 per cent next year, Barclays says. And with interest rates staying lower for longer, savers in Italy are pulling money from government bonds and pouring it into equities, sending the stock market 14 per cent higher this year – double the increase of the FTSE Eurofirst 300 index. And Italian savers pay high fees, so Julius Baer should enhance its gross margin of 95 basis points.

Competition is tough, though, especially from domestic banks. Assets under management at Intesa Sanpaolo are up nearly a quarter since end-2013 and a third at Banca Popolare di Milano, notes Citigroup. BlackRock could try to muscle in and undercut them, but barriers to entry are high. Kairos, known for its performance, in any case operates in a more rarefied space. And Julius Baer plans to list Kairos. If its stock were sold at the forward earnings multiple of Fineco (22 times) or Anima (18), that would give Julius Baer an acquisition currency – in addition to its own (lower rated) paper – with which to buy up other

