

## Activist fund Knight Vinke could reinvest in UBS: fund CEO

Activist investor Knight Vinke could be tempted to reinvest in UBS (UBSG.VX), the fund's chief executive told Reuters on Wednesday, only weeks after it sold its stake in Switzerland's biggest bank.

Knight Vinke closed out its UBS holdings in December, having long campaigned for further cuts to UBS's investment bank and more focus on the core wealth management business.

"We sold our position at just under 20 francs per share, almost twice the level at which we bought," Eric Knight told Reuters. "The share price has gone down around 25 percent since then. If it keeps falling, we might take another look."

Though that time may not have arrived quite yet, a statement from Knight Vinke on Wednesday evening declared that it has not given up its role in the debate about UBS's strategy.

The final straw that prompted the fund's stake sale was UBS's decision toward the end of 2015 to raise the amount of risk-weighted assets allowed at the investment bank to an expected 85 billion Swiss francs (\$85.7 billion).

"I found it shocking that, in the third quarter, the board allowed the investment bank to go through the 70 billion franc cap on risk-weighted assets with no consultation," Knight said.

A UBS spokesman said on Wednesday that investors understood that the bank did not change the risk profile of its investment bank.

"It is quite obvious by now that he never had any large support for his ideas, so his message never resonated," the spokesman said of Knight in an emailed statement.

'SCALE VITAL'

Monaco-based Knight Vinke, which has about \$800 million under management, had represented around 1 percent of UBS shares, Knight said. The fund itself never held more than a quarter or so of that, but it had agreed to act on behalf of other investors.

In the aftermath of the financial crisis and a government bailout, UBS has been one of Europe's most proactive banks in shrinking its cash-intensive and volatile investment bank while focusing on managing the fortunes of the wealthy.

It now has the world's biggest private bank by assets, according to wealth management consultant Scorpio Partnership.

About 30 percent of UBS's risk-weighted assets are with the investment bank and UBS has argued that the investment bank and private bank complement each other.

Knight remains unconvinced and continues to argue that UBS should sell or liquidate the investment bank.

"Scale is vital in investment banking," he said. "The only country outside the United States that could tolerate a balance sheet of this size is China."

He believes that UBS's universal model is destined to come to an end at some point, whether triggered by the bank itself, new regulation or a financial crash.

As for future investments, Knight said: "We're keeping lots of powder dry at the moment for the next investment."

(Editing by David Goodman)

