

Rathbone Brothers Plc

Third quarter trading update

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 30 September 2021.

Paul Stockton, Chief Executive, said:

“Following a strong third quarter of growth, our total funds under management and administration reached £60.9 billion at 30 September 2021. Positive net organic inflows in Investment Management and record net inflows into Rathbone Funds reflect our continuing momentum and delivery against the strategic priorities we have set out for growth. We continue to transform our digital capability and client experience and welcome the addition of Saunderson House’s capability in the fourth quarter. With a clear direction and strong balance sheet, we are confident that our current plans place us in a strong position to take advantage of future growth opportunities across the Rathbones Group.”

Highlights:

- Total funds under management and administration (‘FUMA’) increased 11.3% to £60.9 billion during the first nine months of the year (31 December 2020: £54.7 billion).
 - £48.8 billion in the Investment Management business (31 December 2020: £44.9 billion).
 - £12.1 billion in the Rathbone Funds business (31 December 2020: £9.8 billion).
- The Investment Management business recorded gross inflows of £1.1 billion in the third quarter, nearly doubling the £639 million recorded in Q3 2020. Net organic inflows continued to be positive at £329 million (Q3 2020: net outflows of £169 million), representing an annualised organic growth rate of 2.8%.
- Rathbone Funds recorded £1.1 billion gross inflows in the period (Q3 2020: £867 million). Net inflows totalled £563 million (Q3 2020: £395 million), representing annualised net organic growth of 19.8% (Q3 2020: 19.6% annualised), with particularly strong net inflows into the Multi-Asset Portfolio Funds, Ethical Bond Fund and Global Opportunities Fund. Rathbone Funds also ranked 7th for overall net retail sales during the second quarter in the most recent Pridham report.
- Underlying net operating income was £106.4 million for the three months ended 30 September 2021, an increase of 22.3% from the £87.0 million for the three months ended 30 September 2020.
 - Investment Management fees were up 28.2% compared to Q3 2020 due to positive markets and the transition of former Speirs & Jeffrey clients to Rathbones standard tariffs.
 - Commission income of £10.8 million was 8.9% lower than Q3 2020, reflecting a return to more normalised levels.
 - Net interest income totalled £0.9 million (Q3 2020: £2.2 million) reflecting UK base rate reductions in place since March 2020.
 - Fees from advisory services and other income increased by 11.1% to £4.9 million (Q3 2020: £4.5 million), reflecting good growth in both Vision Independent Financial Planning and Rathbone Financial Planning.
 - Income in Rathbone Funds, which accrues daily, totalled £17.0 million as a result of substantial funds growth throughout the year, an increase of 45.9% on the £11.7 million reported for the third quarter in 2020.
- The acquisition of Saunderson House is anticipated to complete during the fourth quarter and will be reported as acquired new business in that period.

Note: During the period, Rathbones issued £40 million of 10-year tier 2 notes with a call option in October 2026 and annually thereafter. Interest is payable at a fixed rate of 5.642% per annum until the first call option date and at a fixed rate of 4.893% over Compounded Daily SONIA thereafter. Rathbone Investment Management Limited repaid its previous £20.0 million 10-year callable subordinated loan note as the notes were no longer efficient for regulatory capital purposes.

Net operating income:

	3 months ended 30 September			9 months ended 30 September		
	2021	2020	Change	2021	2020	Change
	£m	£m	%	£m	£m	%
Investment Management						
- Fees	72.8	56.8	28.2	213.5	163.2	30.8
- Commissions	10.8	11.8	(8.9)	42.0	49.2	(14.6)
- Net interest income	0.9	2.2	(61.3)	3.3	7.0	(53.7)
- Fees from advisory services ¹ and other income	4.9	4.5	11.1	15.5	14.6	6.6
	89.4	75.3	18.7	274.3	234.0	17.2
Rathbone Funds	17.0	11.7	45.9	45.7	32.0	42.5
Total net operating income	106.4	87.0	22.3	320.0	266.0	20.2

Annualised basis point return:

Investment Management ²	68.8 bps	66.4 bps		72.4 bps	73.1 bps	
Rathbone Funds ³	56.7 bps	54.7 bps		55.1 bps	54.5 bps	
FTSE 100 Index on principal charging dates ⁴	7086	5866	20.8	6954	5817	19.6
MSCI PIMFA Private Investor Balanced Index on principal charging dates ⁴	1781	1568	13.6	1754	1510	16.2

- (1) Including income from trust and tax services, Rathbones Financial Planning and Vision Independent Financial Planning.
(2) Net operating income excluding interest on own reserves, interest payable on Tier 2 notes issued, fees from advisory and other income, divided by the average funds under management on the quarterly billing dates.
(3) Net annual management charges as a percentage of average funds under management.
(4) The principal charging dates for Investment Management clients are 5 April, 30 June, 30 September and 31 December. Rathbone Funds income accrues on daily levels of funds under management.

Funds under management and administration ('FUMA'):

	3 months ended 30 September		9 months ended 30 September		12 months ended 31 December
	2021	2020	2021	2020	2020
	£m	£m	£m	£m	£m
(i) Investment Management					
Opening FUM (1 July/1 January)	47,798	41,321	44,912	42,965	42,965
Inflows	1,119	639	3,501	3,000	3,915
Organic new business	1,083	595	3,414	2,480	3,329
Acquired new business ⁵	36	44	87	520	586
Outflows	(754)	(764)	(2,662)	(2,343)	(3,308)
Market effect and investment performance	596	567	3,008	(1,859)	1,340
Closing FUMA (30 September)	48,759	41,763	48,759	41,763	44,912
Annualised rate of net organic growth	2.8%	(1.6%)	2.2%	0.4%	0.1%
Total annualised net organic and acquired growth	3.1%	(1.2%)	2.5%	2.0%	1.4%

(ii) Rathbone Funds

Opening FUM (1 July/1 January)	11,386	8,044	9,820	7,438	7,438
Inflows	1,050	867	3,270	2,550	3,574
Outflows	(487)	(472)	(1,677)	(1,601)	(2,076)
Market effect and investment performance	194	290	730	342	884
Closing FUM (30 September)	12,143	8,729	12,143	8,729	9,820

Annualised rate of net organic growth	19.8%	19.6%	21.6%	17.0%	20.1%
Total FUMA (30 September)⁶	60,902	50,492	60,902	50,492	54,731

(5) Acquired new business is defined as corporate or team acquisitions.

(6) Includes Greenbank funds of £2.2 billion (31 December 2020: £1.9 billion) and funds managed with a charitable mandate of £7.1 billion (31 December 2020: £6.5 billion).

Investment Management: Service level breakdown of FUMA

	30 September 2021 £m	31 December 2020 £m	30 September 2020 £m	Change 9 months %	Change 12 months %
Direct	36,678	33,678	30,812	8.9	19.0
Financial Adviser linked	10,596	9,347	8,730	13.4	21.4
Total Discretionary Non-Discretionary Investment Management	47,274	43,025	39,542	9.9	19.6
Execution Only	1,060	1,392	1,805	(23.9)	(41.3)
Gross Investment Management FUMA	51,335	47,075	43,728	9.0	17.4
Discretionary wrapped funds ⁷	(2,576)	(2,163)	(1,965)	19.1	31.1
Total Investment Management FUMA	48,759	44,912	41,763	8.6	16.8

Proportion of non-discretionary investment
management to total gross FUMA

2.1% 3.0% 4.1%

(7) Discretionary wrapped funds represent funds operated by Rathbone Funds, managed by both Investment Management teams and Rathbone Funds managers.

The FTSE 100 Index closed at 7142 on 13 October 2021, an increase of 0.8% since 30 September 2021. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2021.

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Rathbone Brothers Plc

Rathbones provides individual investment and wealth management services for private clients, charities, trustees and professional partners. We have been trusted for generations to manage and preserve our clients' wealth. Our tradition of investing and acting responsibly has been with us from the beginning and continues to lead us forward. Our ambition is to be recognised as the UK's most responsible wealth manager.

Rathbones has over 1,600 staff in 15 UK locations and Jersey; its headquarters is 8 Finsbury Circus, London.

www.rathbones.com