

Rathbones funds under management up 9.5% in the nine months to 30 September 2012

This statement is an Interim Management Statement in accordance with the UK Listing Authority's Disclosure and Transparency Rules.

Chief Executive, Andy Pomfret, commented:

“Whilst investment conditions remain demanding, Rathbones continues to grow. Total funds under management have increased 9.5% since 1 January 2012 and underlying net operating income to 30 September 2012 was up 7.8% on the prior year.

“We expect markets to remain challenging for the remainder of 2012 reflecting a weak outlook for global growth and continuing nervousness over the future of the eurozone. Despite this, we will continue to invest and grow as a leading provider of high-quality personalised discretionary investment management services in the post RDR world.”

Highlights:

- Total funds under management (FUM) were £17.35 billion at 30 September 2012; up 9.5% from £15.85 billion at 31 December 2011, compared to an increase of 3.1% in the FTSE 100 Index and an increase of 4.1% in the FTSE APCIMS Balanced Index in the first nine months of 2012.
- The total annualised rate of net inflows of 5.5% (2011: 8.2%) in Rathbone Investment Management for the nine months ended 30 September 2012 includes acquired FUM of £304 million. The underlying annualised rate of net organic growth of FUM was 2.8% for the nine months ended 30 September 2012 (2011: 6.2%), and 1.0% for the quarter ended 30 September 2012 (2011: 4.6%). Third quarter net growth was impacted by a £31 million outflow of FUM following the loss of our sole investment trust mandate (Albany Investment Trust PLC). As announced on 25 July 2012, our contractual arrangements with Cavanagh Financial Management Limited will come to an end on 23 November 2012.
- On 2 October 2012, Rathbone Investment Management International announced that it had acquired the investment management business of AIB Jersey with £43 million of FUM. On 5 October 2012, Rathbone Brothers Plc acquired a 19.9% holding in both Vision Independent Financial Planning Limited ("Vision") and its sister company, Castle Investment Solutions Limited, for a total cash consideration of £2.0 million. Vision expects to continue its strong growth in funds, which are managed by a panel of discretionary investment managers.
- Underlying net operating income of £109.4 million in Rathbone Investment Management for the nine months ended 30 September 2012 was 7.9% higher than 2011. The average value of the FTSE 100 Index on our three principal charging dates in 2012 was 5679 compared to 5694 on the same dates in 2011. The average FTSE APCIMS Balanced Index, measured on the same dates, rose 2.3%. Commission income to 30 September 2012 includes trail commission of £1.6 million, the majority of which is not expected to recur in 2013.
- Net interest income of £7.6 million in the first nine months of 2012 was in line with the same period in 2011. Pressure on interest margins is expected to continue into 2013.
- FUM in Rathbone Unit Trust Management at 30 September 2012 were £1.23 billion, up 13.9% from £1.08 billion at 31 December 2011. Against a backdrop of declining industry sales, Rathbone Unit Trust Management experienced an eighth consecutive quarter of net inflows, attracting £50 million in the nine months ended 30 September 2012.

Net operating income

	3 months ended 30 September			9 months ended 30 September		
	2012 £m	2011 £m	Change %	2012 £m	2011 £m	Change %
Investment management						
- Fees	22.7	19.2	18.2	66.3	59.1	12.2
- Commissions	8.2	8.0	2.5	28.1	28.0	0.4
- Net interest income	2.6	2.4	8.3	7.6	7.6	-
- Fees from advisory services ¹ and other income	2.6	2.3	13.0	7.4	6.7	10.4
	36.1	31.9	13.2	109.4	101.4	7.9
Unit trusts	2.2	2.1	4.8	6.6	6.2	6.5
Underlying net operating income²	38.3	34.0	12.6	116.0	107.6	7.8
Gain on disposal of investment securities	-	1.1	-	-	1.1	-
Net operating income	38.3	35.1	9.1	116.0	108.7	6.7
Average FTSE 100 Index on principal charging dates ³	5742	5128	12.0	5679	5694	(0.3)

(1) Including income from trust, tax and pension advisory services.

(2) Underlying net operating income in 2012 includes the full impact of the revised charging structure that was applied to client accounts from the second quarter of 2011.

(3) The principal charging dates for investment management clients are 5 April, 30 June, 30 September and 31 December. Unit trust income accrues on daily levels of funds under management.

Funds under management

	3 months ended 30 September		9 months ended 30 September	
	2012 £m	2011 £m	2012 £m	2011 £m
(i) Investment management				
Opening FUM (1 July / 1 January)	15,502	15,270	14,764	14,586
Inflows	406	473	1,504	1,542
Organic new business	329	364	1,200	1,322
Acquired new business	77	109	304	220
Outflows	(290)	(189)	(890)	(643)
Market adjustment	504	(1,510)	744	(1,441)
Closing FUM (30 September)	16,122	14,044	16,122	14,044
Underlying annualised rate of net organic growth	1.0%	4.6%	2.8%	6.2%
Annualised rate of net inflows	3.0%	7.4%	5.5%	8.2%
(ii) Unit trusts				
Opening FUM (1 July / 1 January)	1,147	1,089	1,084	1,043
Inflows	63	63	201	174
Outflows	(45)	(40)	(151)	(112)
Market adjustment	64	(99)	95	(92)
Closing FUM (30 September)	1,229	1,013	1,229	1,013
Total FUM (30 September)	17,351	15,057	17,351	15,057
Net fund inflows				
Investment management	116	284	614	899
Unit trusts	18	23	50	62
Total	134	307	664	961

The FTSE 100 Index closed at 5798 on 23 October 2012, a rise of 1.0% since 30 September 2012, which has increased the value of funds under management. Investment management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2012.

There has been no material change in the position previously reported in relation to the insurance coverage proceedings, and related underlying Jersey trust proceedings, at the time of our interim results in July. We refer you to the paragraph headed "Legal proceedings" in our interim management report and the related Note 14 to our consolidated interim financial statements as released on 26 July 2012.

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Rathbone Brothers Plc

Rathbone Brothers Plc is a leading provider of high-quality, personalised investment and wealth management services for private clients, charities and trustees. This includes discretionary investment management, unit trusts, tax planning, trust and company management, pension advice and banking services.

Rathbones has over 790 staff in 11 UK locations and Jersey, and has its headquarters in Curzon Street, London.

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