

Rathbone Brothers Plc

Third quarter interim management statement and strategic update

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 30 September 2019.

Paul Stockton, Chief Executive of Rathbone Brothers Plc, said:

“Our funds under management and administration increased marginally in the quarter to £49.4 billion. In difficult markets we continue to focus on providing a quality service to our clients, navigating through ongoing market uncertainty but also selectively investing to pursue organic growth opportunities and develop our business.”

Financial highlights:

- Total funds under management and administration increased 4.4% to £49.4 billion at 30 September 2019 (30 September 2018: £47.3 billion). The FTSE 100 Index on the third quarter charging date decreased 1.4% from the equivalent date last year, whilst the MSCI WMA Private Investor Balanced Index increased by 2.0%.
 - £42.4 billion in the Investment Management business (30 September 2018: £41.3 billion)
 - £7.0 billion in the Unit Trusts business (30 September 2018: £6.0 billion)
- Total net inflows were £0.1 billion in the third quarter (2018: £7.0 billion, largely reflecting the acquisition of Speirs & Jeffrey).
 - Gross organic inflows in Investment Management in the quarter remained resilient at £0.8 billion (2018: £0.8 billion) in a difficult market for savings. Total net outflows in Investment Management during the quarter were £0.2 billion (2018: net inflows of £6.9 billion largely reflecting the acquisition of Speirs & Jeffrey). This reflected ongoing weak investor sentiment and investment manager departures. Both factors, together with anticipated outflows from short term discretionary mandates, are expected to continue to weigh on net growth in FUMA into 2020.
 - Net inflows in Unit Trusts for the quarter remained strong at £0.3 billion against a difficult environment for asset managers (2018: £0.1 billion).
- Underlying operating income totalled £86.3 million for the three months ended 30 September 2019, an increase of 7.5% from the £80.3 million recorded in the third quarter of 2018.
 - Income in Investment Management totalled £76.7 million in the quarter, up 8.3% on the £70.8 million reported for the comparable period in 2018. The average FTSE 100 Index was 7427 on quarterly billing dates in 2019, broadly flat against the 7449 recorded in 2018.
 - Income in Unit Trusts totalled £9.6 million for the three months ended 30 September 2019, broadly flat on the £9.5 million reported for the third quarter in 2018 and an increase of 8.9% excluding managers’ box dealing profits.

Strategic update

The executive management team will outline their vision for the business at the strategic update this morning; a copy of the presentation is available online at <https://www.rathbones.com/investor-relations> and a recording of the event will be uploaded to the website after the event.

Rathbones has built a leading market position based on a powerful brand, high quality people, a strong operating platform and a stable client base who value our relationship led services. We intend to leverage the core strengths of our business by investing over the next 2-3 years to enhance organic growth. During this time, we believe it is appropriate to operate the business closer to a mid-twenties underlying operating margin to enable us to create long term growth opportunities, improve client services and deliver productivity gains.

Net operating income

	3 months ended 30 September			9 months ended 30 September		
	2019	2018	Change	2019	2018	Change
	£m	£m	%	£m	£m	%
Investment Management						
- Fees	56.0	51.9	7.9	166.6	150.3	10.8
- Commissions	11.3	9.8	15.3	39.0	30.8	26.6
- Net interest income	4.4	4.0	10.0	12.1	10.9	11.0
- Fees from advisory services ¹ and other income	5.0	5.1	(2.0)	14.4	14.1	2.1
	<u>76.7</u>	<u>70.8</u>	<u>8.3</u>	<u>232.1</u>	<u>206.1</u>	<u>12.6</u>
Unit Trusts	9.6	9.5	1.1	27.0	27.4	(1.5)
Underlying net operating income	<u>86.3</u>	<u>80.3</u>	<u>7.5</u>	<u>259.1</u>	<u>233.5</u>	<u>11.0</u>
Average FTSE 100 Index on principal charging dates ²	7408	7510	(1.4)	7427	7449	(0.3)
Average MSCI WMA Balanced Index on principal charging dates ²	1645	1612	2.0	1629	1582	3.0

(1) Including income from trust, tax, pension advisory services and Vision Independent Financial Planning.

(2) 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	
	2019	2018	2019	2018
	£m	£m	£m	£m
(i) Investment Management				
Opening FUM (1 July/1 January)	42,482	34,140	38,456	33,780
Inflows	789	7,508	2,690	9,262
Organic new business	757	800	2,483	2,493
Acquired new business	32	6,708	207	6,769
Outflows	(953)	(582)	(2,714)	(1,922)
Market adjustment	104	208	3,990	154
Closing FUM (30 September)	<u>42,422</u>	<u>41,274</u>	<u>42,422</u>	<u>41,274</u>
Underlying annualised rate of net organic growth	(1.8%)	2.6%	(0.8%)	2.3%
Annualised rate of net inflows ³	(1.5%)	2.8%	(0.1%)	2.6%
(ii) Unit Trusts				
Opening FUM (1 July/1 January)	6,702	5,776	5,643	5,367
Inflows	661	459	1,655	1,432
Outflows	(342)	(338)	(1,007)	(1,012)
Market adjustment	6	109	736	219
Closing FUM (30 September)	<u>7,027</u>	<u>6,006</u>	<u>7,027</u>	<u>6,006</u>
Total FUM (30 September)⁴	<u>49,449</u>	<u>47,280</u>	<u>49,449</u>	<u>47,280</u>
Net fund inflows				
Investment Management	(164)	6,926	(24)	7,340
Unit Trusts	319	121	648	420
Total	<u>155</u>	<u>7,047</u>	<u>624</u>	<u>7,760</u>

(3) Annualised rate of net inflows in 2018 excludes the £6.7 billion acquired in relation to Speirs & Jeffrey.

(4) Includes £2.5 billion (30 September 2018: £2.3 billion) of execution only funds, Greenbank funds of £1.5 billion (30 September 2018: £1.2 billion) and funds managed with a charitable mandate of £6.0 billion (30 September 2018: £5.7 billion).

(iii) Investment Management; Service level breakdown

	30 September 2019 £m	31 December 2018 £m	30 September 2018 £m	Change 9 months %	Change 12 months %
Direct	30,311	26,642	28,207	13.8	7.5
Financial Adviser linked ⁵	8,567	7,515	8,095	14.0	5.8
Total Discretionary	38,878	34,157	36,302	13.8	7.1
Non-Discretionary Investment Management	2,721	3,332	3,889	(18.3)	(30.0)
Execution Only	2,466	2,158	2,304	14.3	7.0
Gross Investment Management FUMA	44,065	39,647	42,495	11.1	3.7
Discretionary wrapped funds ⁶	(1,643)	(1,191)	(1,221)	38.0	34.6
Total Investment Management FUMA	42,422	38,456	41,274	10.3	2.8

(5) Of the £7.8 billion of financial adviser linked business that we reported in the 2018 report and accounts, £7.5 billion is included in Discretionary and £0.3 billion in Execution Only.

(6) Discretionary wrapped funds represent funds operated by Unit Trusts, managed by both Investment Management teams and Unit Trusts fund managers.

The FTSE 100 Index closed at 7,168 on 16 October 2019, a decrease of 3.2% since 30 September 2019. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2019.

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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 1,400 staff in 15 UK locations and Jersey; its headquarters is 8 Finsbury Circus, London.

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