

Rathbone Brothers Plc

First quarter funds under management and administration increase 7.7% to £47.5 billion

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 31 March 2019.

Philip Howell, Chief Executive of Rathbones, said:

“In spite of ongoing political and economic uncertainties, our operating income in the first quarter increased 13.1% to £85.3 million (Q1 2018: £75.4 million) reflecting the impact of recent acquisitions and a 10.7% increase in the FTSE 100 Index since 31 December 2018. The integration of Speirs & Jeffrey is proceeding well as we continue to focus on the successful transfer of clients to the Rathbones platform. Accordingly, we expect the operational performance targets in respect of the initial contingent consideration to be met very shortly and ahead of our original schedule. Total funds under management and administration increased 7.7% to reach a new high of £47.5 billion during the quarter.

“Whilst we expect weak investor sentiment to continue in the short term, we continue to provide our clients with quality investment and advice solutions whilst pursuing future growth opportunities.”

Financial highlights:

- Total funds under management and administration were £47.5 billion at the end of the first quarter*, up 7.7% from £44.1 billion at 31 December 2018. Underlying net operating income was £85.3 million during the quarter, up 13.1% from £75.4 million from the same period last year.
- Total net organic and acquired growth in Investment Management was £130 million during the quarter (2018: £199 million), representing a total net annualised growth rate of 1.4% (2018: 2.4%). Net organic growth principally reflected ongoing weak investor sentiment and the anticipated muted growth from Speirs & Jeffrey whilst their focus remains on integration. As a result, net organic growth in the first quarter represents an annualised growth rate of 0.1% compared to 2.0% in the first three months of 2018.
- Net operating income of £76.8 million in Investment Management for the first quarter of 2019 was 15.3% higher than the £66.6 million for the comparable period in 2018. The value of the FTSE 100 Index on the first quarter charging date was 7447 compared with 7200 a year ago. The MSCI WMA Private Investor Balanced Index was 1610 compared to 1538 on the equivalent dates.
- Funds under management in Unit Trusts grew 8.9% to £6.1 billion at 31 March 2019 from £5.6 billion at 31 December 2018. Although net inflows of £59 million during the quarter were lower than the £142 million posted in the prior year, this was a positive result amid an industry backdrop of negative net retail sales. Net operating income of £8.5 million for the three months ended 31 March 2019 was marginally lower than the £8.8 million for the comparable period in 2018 as managers’ box dealing profits ceased from mid-January 2019 (Q1 2019: £0.2 million, Q1 2018: £0.9 million).

* Funds under management at the end of the first quarter are measured at 5 April for Investment Management (to coincide with the first charging date for Investment Management private clients) and at 31 March for Unit Trusts and Speirs & Jeffrey.

Net operating income

	3 months ended 31 March		
	2019	2018	Change
	£m	£m	%
Investment Management			
- Fees	54.5	48.1	13.3
- Commissions	13.8	10.8	27.8
- Net interest income	3.6	3.3	9.1
- Fees from advisory services ¹ & other income	4.9	4.4	11.4
	<u>76.8</u>	<u>66.6</u>	<u>15.3</u>
Unit Trusts ²	8.5	8.8	(3.4)
Net operating income	85.3	75.4	13.1

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

(2) Includes £0.2 million of managers' box dealing profits (2018: £0.9 million).

Funds under management and administration

(i) Investment Management

	Period ended 5 April ³		
	2019	2018	Change
	£m	£m	%
Opening FUMA (1 January)	38,456	33,780	13.8
Inflows	975	896	8.8
Organic new business	854	868	(1.6)
Acquired new business	121	28	332.1
Outflows	(845)	(697)	21.2
Market effect and investment performance	2,859	(1,548)	(284.7)
Closing FUMA (5 April)	41,445	32,431	27.8
Underlying annualised rate of net organic growth	0.1%	2.0%	
Total annualised net organic and acquired growth	1.4%	2.4%	
FTSE 100 Index (5 April)	7447	7200	3.4
MSCI WMA Private Investor Balanced Index (5 April)	1610	1538	4.7

(ii) Unit Trusts

	3 months ended 31 March		
	2019	2018	Change
	£m	£m	%
Opening FUM (1 January)	5,643	5,367	5.1
Inflows	407	475	(14.3)
Outflows	(348)	(333)	4.5
Market effect and investment performance	378	(186)	(303.2)
Closing FUM (31 March)	6,080	5,323	14.2
Total FUMA^{4,5}	47,525	37,754	25.9

(3) Key charging dates for investment management clients are 5 April, 30 June, 30 September and 31 December. Unit trusts income accrues on daily levels of funds under management. Speirs & Jeffrey clients have variable charging dates depending on the type of fund.

(4) Includes £2.2 billion of funds under execution only mandates (2018: £1.2 billion), Greenbank funds of £1.4 billion (2018: £1.1 billion) and funds managed with a charitable mandate of £5.8 billion (2018: £4.6 billion).

(5) Funds under management and administration at the end of the first quarter are measured at 5 April for Investment Management (to coincide with the first charging date for Investment Management private clients) and at 31 March for Unit Trusts and Speirs & Jeffrey.

The FTSE 100 Index closed at 7271 on 8 May 2019, a fall of 2.4% since 5 April 2019, which has decreased the value of funds under management.

The Annual General Meeting will be held today at Rathbones' offices and the interim results for the six months to 30 June 2019 will be announced on 24 July 2019.

9 May 2019

For further information contact:

Rathbone Brothers Plc

Tel: 020 7399 0000

Email: shelly.patel@rathbones.com

Philip Howell, Chief Executive

Jennifer Mathias, Group Finance Director

Shelly Patel, Head of Investor Relations

Camarco**Tel: 020 3757 4984****Email: ed.gascoigne-pees@camarco.co.uk**

Ed Gascoigne-Pees

Hazel Stevenson

Rathbone Brothers Plc

Rathbone Brothers Plc (“Rathbones”), through its subsidiaries, is a leading provider of high-quality, personalised investment and wealth management services for private clients, charities and trustees. Our services include discretionary investment management, unit trusts, banking and loan services, financial planning, unitised portfolio services, and UK trust, legal, estate and tax advice.

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

rathbones.com