

Rathbone Brothers Plc

First quarter interim management statement

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 31 March 2020.

Paul Stockton, Chief Executive of Rathbones, said:

“I am very proud of the way our people and infrastructure have responded to the COVID-19 crisis. Our business model is robust and has rapidly adjusted to ways of working remotely whilst continuing to provide clients with quality service, investment solutions and advice, at a time when they need it most.

Funds under management and administration of £42.6 billion decreased by 15.4% from 31 December 2019, which is a resilient performance against a market backdrop where the FTSE 100 Index fell 27.4% in the first quarter. Clients from the Personal Injury and Court of Protection business of Barclays Wealth joined us at the end of the quarter, representing £0.4 billion of funds under management.

The second quarter has started well with total net organic inflows during April 2020 of £0.4 billion.

There remains a great deal of uncertainty around the duration and severity of the pandemic, and we expect that global market conditions will remain volatile and interest rates low. Our balance sheet remains strong, and we are well positioned to continue with our strategic growth agenda, mindful of the necessity to balance the needs of the business with market conditions and the health and well-being of our employees.”

Financial highlights:

- Total funds under management and administration decreased by 15.4% to £42.6 billion at the end of the first quarter* (31 December 2019: £50.4 billion). The FTSE 100 Index on the first quarter charging date decreased 27.4% from 31 December 2019, whilst the MSCI PIMFA Private Investor Balanced Index decreased by 17.3%.
 - £35.9 billion in the Investment Management business (31 December 2019: £43.0 billion).
 - £6.8 billion in the Unit Trusts business (31 December 2019: £7.4 billion).
- Total net inflows were £0.7 billion in the first quarter (Q1 2019: £0.2 billion).
 - Net organic flows in Investment Management were nil during Q1 2020 (Q1 2019: £9 million net inflow).
 - Gross organic inflows in Investment Management were £1.0 billion in the first quarter against a challenging market backdrop, up 18.9% from the same period last year. Total gross outflows of £1.0 billion (Q1 2019: £0.8 billion) were driven by the part withdrawal of previously reported short-term mandates and the re-balancing of certain pension scheme portfolios.
 - Acquired new business in the first quarter of £0.4 billion predominantly reflected the transfer of clients from the acquisition of the Personal Injury and Court of Protection business of Barclays Wealth.
 - Net inflows in Unit Trusts increased significantly year on year to £0.2 billion (Q1 2019: £0.1 billion) with strong net inflows into the Ethical Bond Fund, Global Opportunities Fund and the High Quality Bond. Net flows into our Multi Asset Portfolios were also strong, particularly into the Strategic Growth Fund.
 - According to the Pridham Report, Rathbones was ranked in 10th position for overall net retail sales during the first quarter of 2020, maintaining its top 10 position.
- Total underlying net operating income of £84.6 million for the three months ended 31 March 2020 was consistent with last year (Q1 2019: £85.3 million).
 - Income in Investment Management totalled £74.9 million in the quarter, down 2.2% on the £76.6 million reported in the corresponding period in 2019. The value of the FTSE 100 Index on the first quarter charging date was 5416 compared with 7447 a year ago. The MSCI PIMFA Private Investor Balanced Index was 1389 compared to 1610 on the equivalent dates.
 - Investment Management fees were down 9.7% compared to the prior year while commissions were 29.0% ahead, driven by high trading volumes throughout the quarter. Net interest income decreased by 13.9% to £3.1 million (Q1 2019: £3.6 million).
 - Fees from advisory services and other income increased by 2.1% to £4.8 million (Q1 2019: £4.7 million).
 - Income in Unit Trusts, which accrues daily, totalled £9.7 million for the three months ended 31 March 2020, an increase of 11.5% on the £8.7 million reported for the first quarter in 2019.
- Total funds under management and administration at 30 April 2020 were £46.5 billion, an increase of 9.2% from 5 April 2020 (Investment Management: £39.2 billion; Unit Trusts: £7.3 billion).

- Net organic inflows in Investment Management during April were £0.3 billion while net inflows into Unit Trusts were £0.1 billion.

- The final dividend for 31 December 2019 of 45 pence per share will be paid on 12 May 2020.

* 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.

Net operating income

	3 months ended 31 March			3 months ended 31 December	
	2020 £m	2019 £m	Change %	2019 £m	Change %
Investment Management					
- Fees	49.2	54.5	(9.7)	57.5	(14.4)
- Commissions	17.8	13.8	29.0	12.1	47.1
- Net interest income	3.1	3.6	(13.9)	4.3	(27.9)
- Fees from advisory services ¹ & other income ²	4.8	4.7	2.1	4.6	4.3
	74.9	76.6	(2.2)	78.5	(4.6)
Unit Trusts ²	9.7	8.7	11.5	10.2	(4.9)
Underlying net operating income	84.6	85.3	(0.8)	88.7	(4.6)
FTSE 100 Index on principal charging dates ³	5416	7447	(27.3)	7456	(27.4)
MSCI PIMFA Private Investor Balanced Index on principal charging dates ³	1389	1610	(13.7)	1679	(17.3)

- (1) Including income from trust, tax, financial planning services and Vision Independent Financial Planning.
- (2) Fair value adjustments to holdings in our own unit trusts (linked to deferred profit share awards) have been re-presented in the prior periods from the "other income" line to "Unit Trusts" in order to align them with the business unit to which they relate (Q1 2020: £0.5 million loss; Q1 2019: £0.2 million gain; Q4 2019: £0.1 million gain).
- (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. The index levels for 31 December 2019 represents the average of the closing index levels at each of the principal charging dates during the year.

Funds under management and administration

(i) Investment Management

	Period ended 5 April			3 months ended 31 December	
	2020 £m	2019 £m	Change %	2019 £m	Change %
Opening FUMA (1 January / 1 October)	42,965	38,456	11.7	42,422	1.3
Inflows	1,469	975	50.7	820	79.1
Organic new business	1,015	854	18.9	794	27.8
Acquired new business	454	121	275.2	26	1,646.2
Outflows	(1,015)	(845)	(20.1)	(1,147)	11.5
Market effect and investment performance	(7,544)	2,859	(363.9)	870	(967.1)
Closing FUMA	35,875	41,445	(13.4)	42,965	(16.5)
Underlying annualised rate of net organic growth	-	0.1%		(3.3%)	
Total annualised net organic and acquired growth	4.2%	1.4%		(3.1%)	

(ii) Unit Trusts

	3 months ended 31 March			3 months ended 31 December	
	2020 £m	2019 £m	Change %	2019 £m	Change %
Opening FUM (1 January / 1 October)	7,438	5,643	31.8	7,028	5.8
Inflows	767	407	88.5	642	19.5
Outflows	(569)	(348)	(63.5)	(348)	(63.5)
Market effect and investment performance	(865)	378	(328.8)	116	(845.7)
Closing FUM	6,771	6,080	11.4	7,438	(9.0)
Total FUMA⁴	42,646	47,525	(10.3)	50,403	(15.4)

Net flows

Investment Management	454	130	249.2	(327)	238.8
Unit Trusts	198	59	235.6	294	(32.7)
Total	652	189	245.0	(33)	2,075.8

(4) Includes £2.0 billion of funds under execution only mandates (Q4 2019: £2.4 billion), Greenbank funds of £1.4 billion (Q4 2019: £1.6 billion) and funds managed with a charitable mandate of £5.0 billion (Q4 2019: £6.1 billion).

(iii) Investment Management; Service level breakdown

	5 April			31 December	
	2020 £m	2019 £m	Change %	2019 £m	Change %
Direct	26,305	29,045	(9.4)	31,013	(15.2)
Financial Adviser linked	7,387	8,214	(10.0)	8,735	(15.4)
Total Discretionary	33,692	37,259	(9.6)	39,748	(15.2)
Non-Discretionary Investment Management	1,781	3,325	(46.4)	2,550	(30.2)
Execution Only	1,976	2,274	(13.1)	2,411	(18.0)
Gross Investment Management FUMA	37,449	42,858	(12.6)	44,709	(16.2)
Discretionary wrapped funds ⁵	(1,574)	(1,413)	(11.4)	(1,744)	(9.8)
Total Investment Management FUMA	35,875	41,445	(13.4)	42,965	(16.5)

(5) 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 5854 on 6 May 2020, an increase of 8.1% since 5 April 2020. Investment Management fee income in the second quarter is dependent upon the value of funds under management at 30 June 2020.

The Annual General Meeting will be held today at Rathbones' offices and the interim results for the six months to 30 June 2020 will be announced on 29 July 2020. Given the current COVID-19 situation and the government measures which prohibit public gatherings of more than two people, shareholders have been requested not to attend the AGM in person. Instead, one director and one employee, who are both shareholders, will attend in person. A live webcast is in place so that shareholders can listen to proceedings. The webcast can be accessed using the following link: <https://www.investis-live.com/rathbone-brothers/5e871b2d1176b691000c02a0/fjfj>. Shareholders were also requested to send their questions via email in advance of the meeting and to the extent practicable, answers will be published on the Group website (www.rathbones.com).

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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 1,500 staff in 15 UK locations and Jersey; its headquarters is 8 Finsbury Circus, London.

www.rathbones.com