

RATHBONE BROTHERS PLC  
INTERIM RESULTS TO 30 JUNE 2014



24 JULY 2014

**RATHBONES**  
Established 1742

# AGENDA



- Settlement of legal proceedings
- Results highlights
- Rathbone Unit Trust Management
- Chief executive's business review
- Conclusion
- Appendices



**PHILIP HOWELL**  
CHIEF  
EXECUTIVE



**PAUL STOCKTON**  
FINANCE DIRECTOR

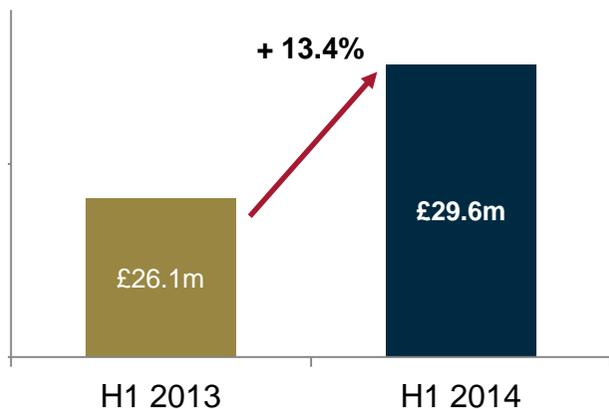


**MIKE WEBB**  
CEO, RATHBONE UNIT  
TRUST MANAGEMENT

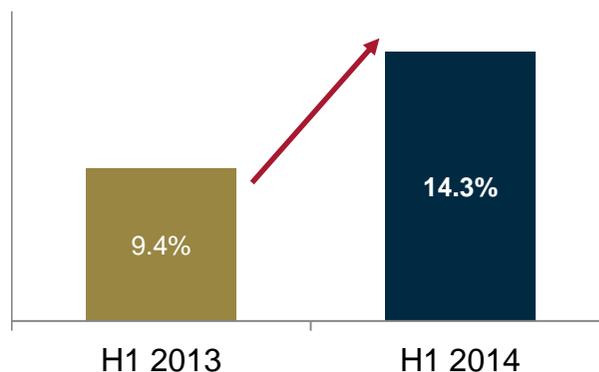
# RESULTS HIGHLIGHTS



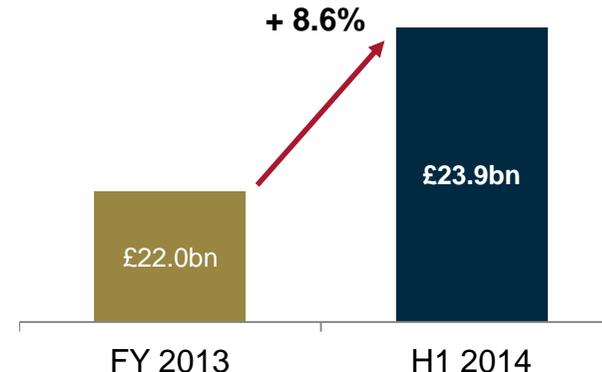
**Underlying<sup>1</sup> profit before tax**



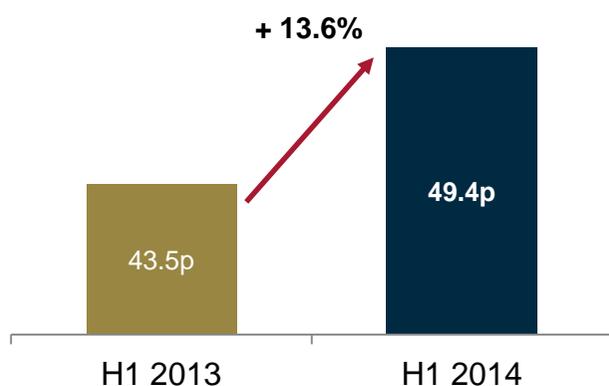
**Rate of total net growth in funds under management<sup>2</sup>**



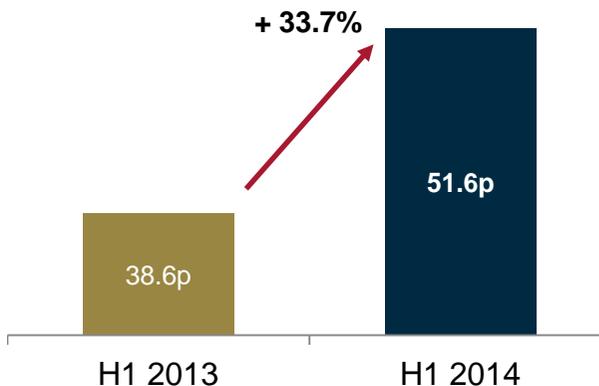
**Funds under management**



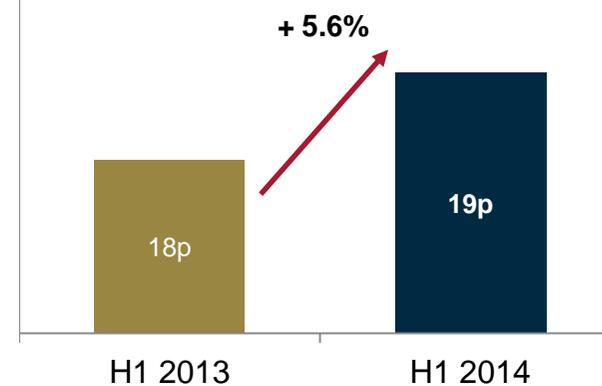
**Underlying<sup>1</sup> earnings per share**



**Basic earnings per share**



**Interim dividend per share**



<sup>1</sup> Underlying profit before tax and earnings per share exclude charges in relation to client relationships and goodwill, gain on disposal of financial securities and transaction costs

<sup>2</sup> Total annualised net organic and purchased growth in funds under management managed as a percentage of opening funds under management

## UNDERLYING PROFIT BEFORE TAX



|  | H1 2014<br>(£m) | H1 2013<br>(£m) | % change    | FY 2013<br>(£m) |
|--|-----------------|-----------------|-------------|-----------------|
| <i>Average FTSE 100 Index</i>                | <b>6720</b>     | 6233            | 7.8         | 6419            |
| Net investment management fee income         | <b>63.0</b>     | 54.5            | 15.6        | 113.9           |
| Net commission income                        | <b>23.5</b>     | 23.2            | 1.3         | 42.0            |
| Net interest income                          | <b>4.4</b>      | 4.2             | 4.8         | 8.6             |
| Fees from advisory services and other income | <b>7.2</b>      | 6.2             | 16.1        | 11.9            |
| <b>Underlying operating income</b>           | <b>98.1</b>     | <b>88.1</b>     | <b>11.4</b> | <b>176.4</b>    |
| Underlying operating expenses                | <b>(68.5)</b>   | (62.0)          | 10.5        | (125.9)         |
| <b>Underlying profit before tax</b>          | <b>29.6</b>     | <b>26.1</b>     | <b>13.4</b> | <b>50.5</b>     |
| <b>Underlying profit margin<sup>1</sup></b>  | <b>30%</b>      | 30%             |             | 29%             |

<sup>1</sup> Underlying profit before tax divided by underlying operating income

## UNDERLYING OPERATING EXPENSES



|   | H1 2014<br>(£m) | H1 2013<br>(£m) | % change    | FY 2013<br>(£m) |
|---|-----------------|-----------------|-------------|-----------------|
| <b>Fixed staff costs</b>  | <b>30.7</b>     | <b>28.6</b>     | <b>7.3</b>  | <b>56.9</b>     |
| <i>Average FTE<sup>1</sup> employees during the period</i>          | <b>853</b>      | 821             | 3.9         | 833             |
| <i>Actual FTE<sup>1</sup> employees at the reporting period end</i> | <b>878</b>      | 821             | 6.9         | 852             |
| <b>Variable staff costs</b>   | <b>17.2</b>     | <b>13.7</b>     | <b>25.5</b> | <b>27.9</b>     |
| <b>Other direct expenses<sup>2</sup></b>                            | <b>20.6</b>     | <b>19.7</b>     | <b>4.6</b>  | <b>41.1</b>     |
| <b>Total underlying operating expenses</b>                          | <b>68.5</b>     | <b>62.0</b>     | <b>10.5</b> | <b>125.9</b>    |

<sup>1</sup> Full time equivalent

<sup>2</sup> Including property, depreciation, amortisation (of certain intangibles), professional, settlements and IT costs



# PROFIT BEFORE TAX AND EARNINGS PER SHARE

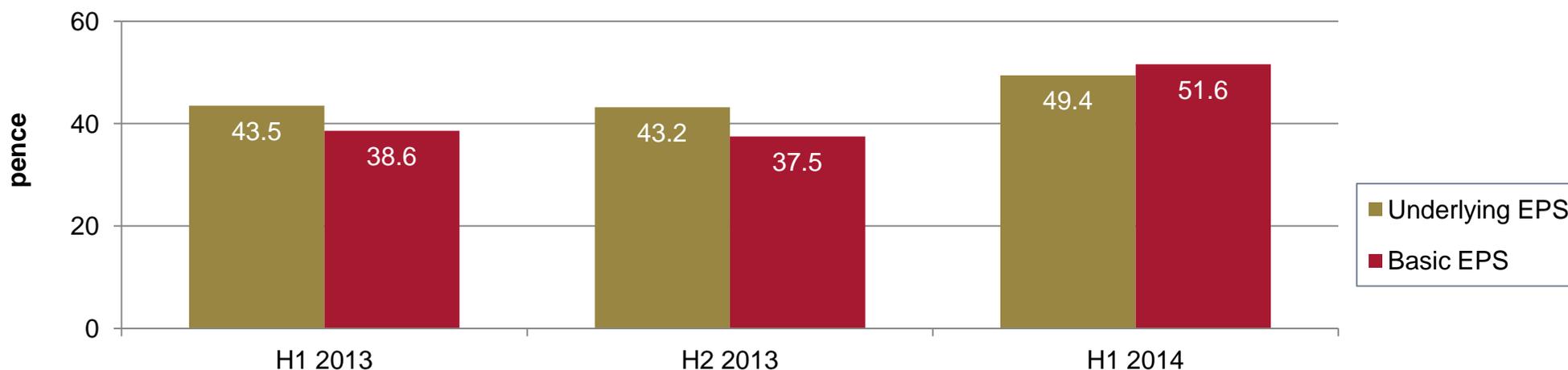
|  | H1 2014<br>(£m) | H1 2013<br>(£m) | % change    | FY 2013<br>(£m) |
|--|-----------------|-----------------|-------------|-----------------|
| <b>Underlying profit before tax</b>                      | <b>29.6</b>     | <b>26.1</b>     | <b>13.4</b> | <b>50.5</b>     |
| Gain on disposal of financial securities                 | 5.9             | -               |             | -               |
| Charges in relation to client relationships and goodwill | (3.6)           | (2.9)           | 24.1        | (6.3)           |
| Transaction costs  | (1.0)           | -               |             | -               |
| <b>Profit before tax</b>                                 | <b>30.9</b>     | <b>23.2</b>     | <b>33.2</b> | <b>44.2</b>     |
| Effective tax rate                                       | <b>22.3%</b>    | 24.2%           |             | 21.3%           |

**Ave. FTSE  
100 Index**

**6233**

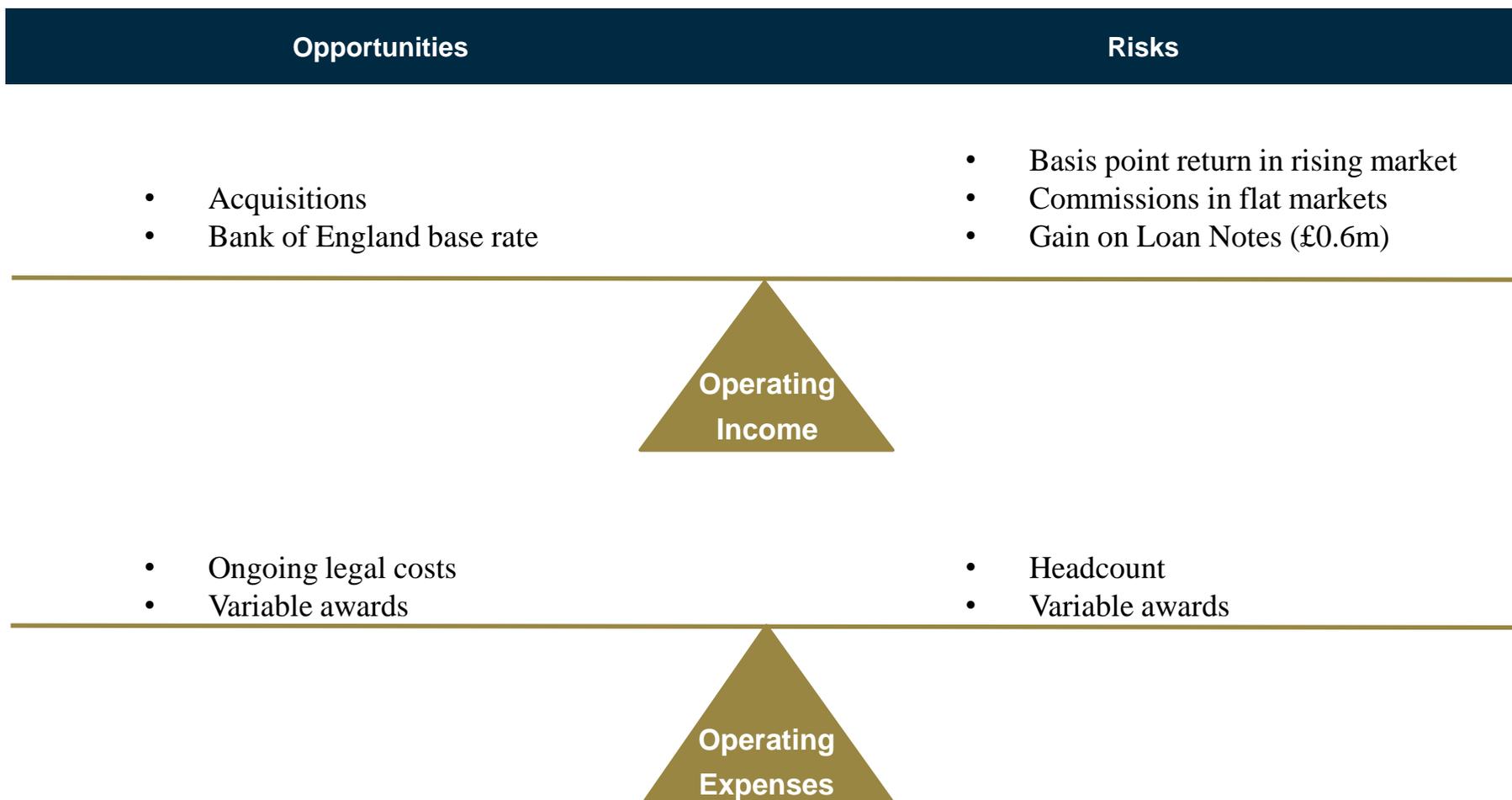
**6606**

**6720**





# UNDERLYING OPERATING PROFIT MARGIN<sup>1</sup>



<sup>1</sup> Underlying profit before tax divided by underlying operating income

## SUMMARY BALANCE SHEET



|   | 30/06/14<br>(£m) | 30/06/13<br>(£m)         |
|---|------------------|--------------------------|
| <b>Assets</b>   |                  |                          |
| Balances with Bank of England                               | 591.0            | 213.0                    |
| Other cash, deposits and investments                        | 643.2            | 823.9                    |
| Loans and advances to customers <sup>1</sup>                | 91.8             | 81.1                     |
| Prepayments, accrued income and other assets                | 83.9             | 43.5                     |
| Property, plant and equipment                               | 11.0             | 12.1                     |
| Intangible assets and investment in associates              | 119.2            | 107.1                    |
| Surplus on retirement benefit schemes                       | -                | 9.3                      |
| <b>Total assets</b>   | <b>1,540.1</b>   | <b>1,290.0</b>           |
| <b>Liabilities</b>  |                  |                          |
| Deposits by banks   | 4.2              | -                        |
| Client balances   | 1,149.6          | 989.0                    |
| Accruals, deferred income, provisions and other liabilities | 107.6            | 56.0                     |
| Retirement benefit obligations                              | 3.7              | -                        |
| <b>Total equity</b>   | <b>275.0</b>     | <b>245.0</b>             |
| <b>Total liabilities and equities</b>                       | <b>1,540.1</b>   | <b>1,290.0</b>           |
| <b>Group Common Equity Tier 1 ratio (Basel III)</b>         | <b>22.9%</b>     | <b>19.1%<sup>3</sup></b> |
| <b>Consolidated leverage ratio<sup>2</sup></b>              | <b>10.8%</b>     | <b>11.5%<sup>3</sup></b> |

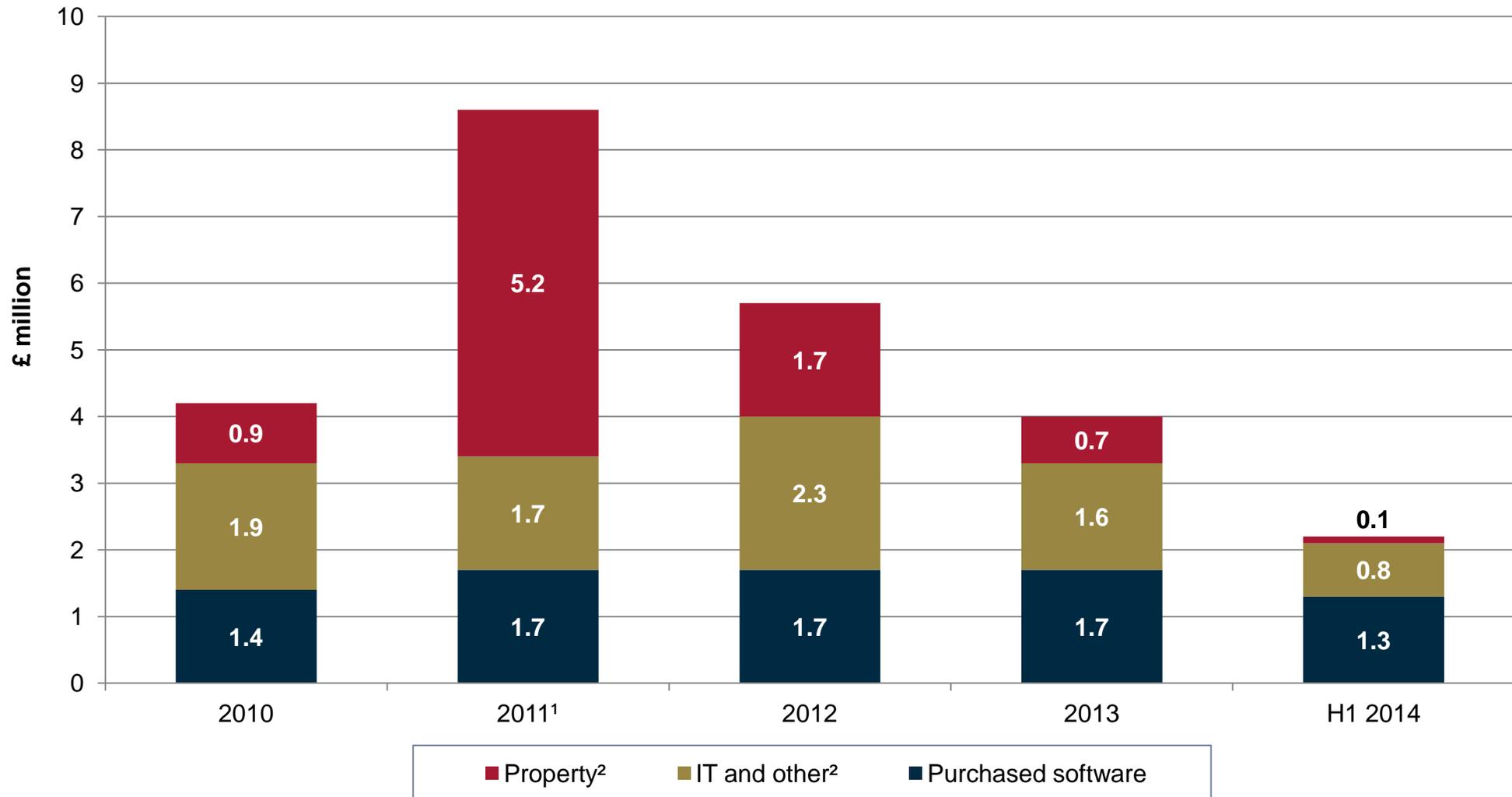
<sup>1</sup> Loans and advances to customers largely consist of the investment management loan book, but also include overdrafts, trust and pension debtors and other debtors

<sup>2</sup> Tier 1 capital resources based on Basel III basis as a percentage of total assets, adjusted largely to exclude intangible assets and investment in associates

<sup>3</sup> As at 31 December 2013



# CONSISTENT CASH CAPITAL EXPENDITURE



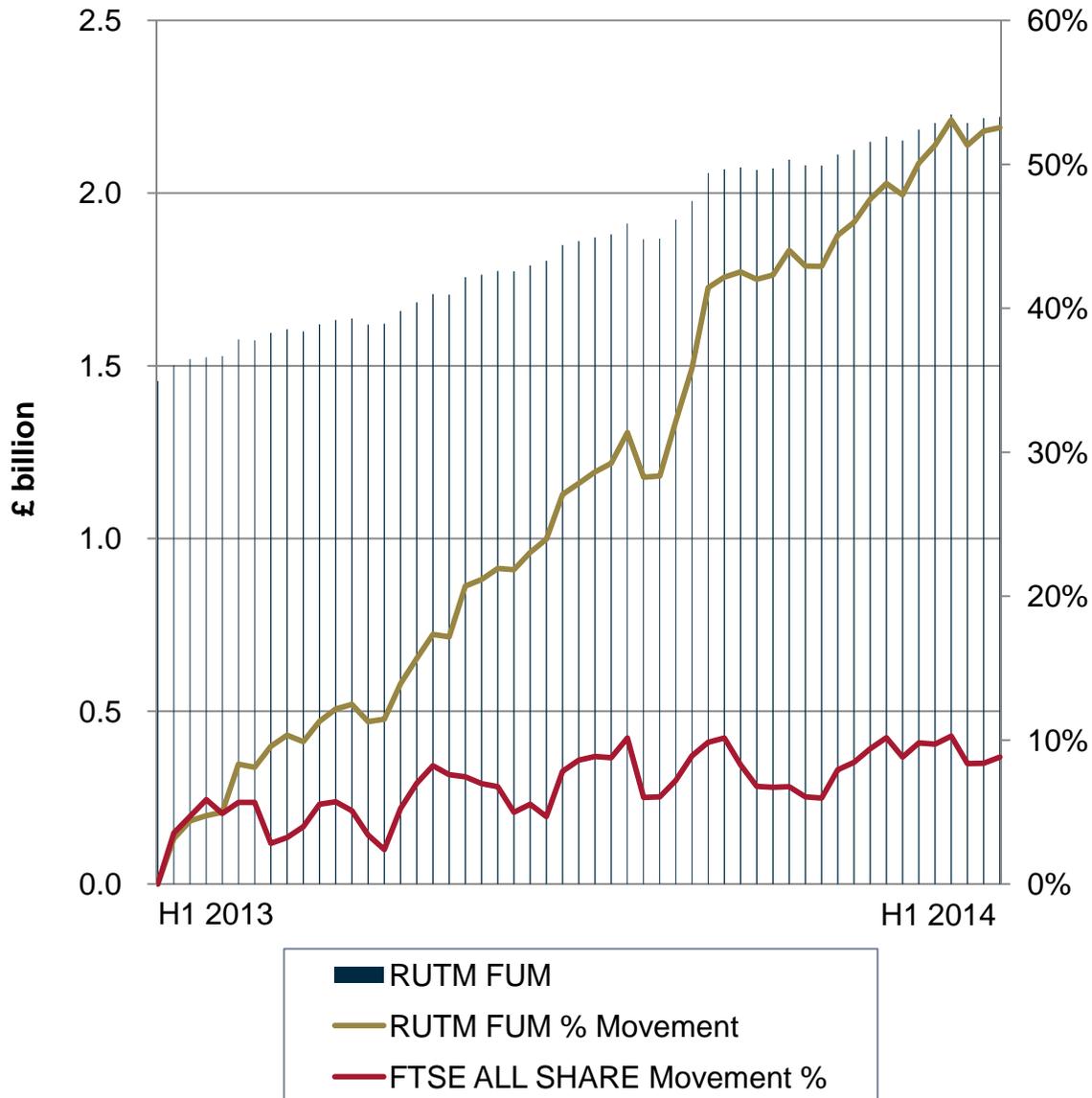
<sup>1</sup> Property expenditure in 2011 principally in respect of the London office relocation

<sup>2</sup> Property expenditure in general only includes short term leasehold improvements from the consolidated financial statements. IT & other expenditure also includes some property-related expenditure such as IT equipment and furniture



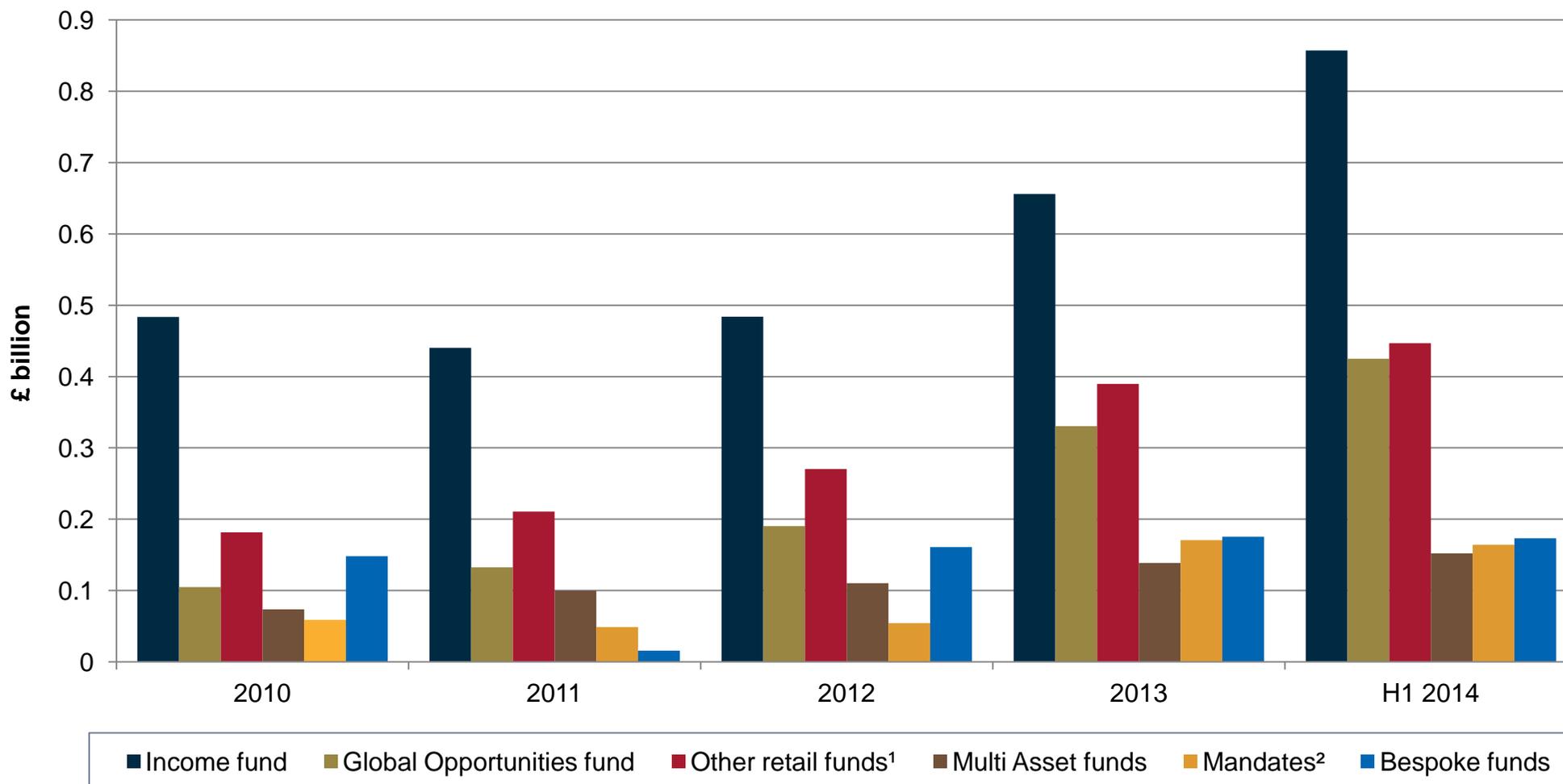
# POSITIVE GROWTH IN FLAT MARKETS

## H1 2013 – H1 2014



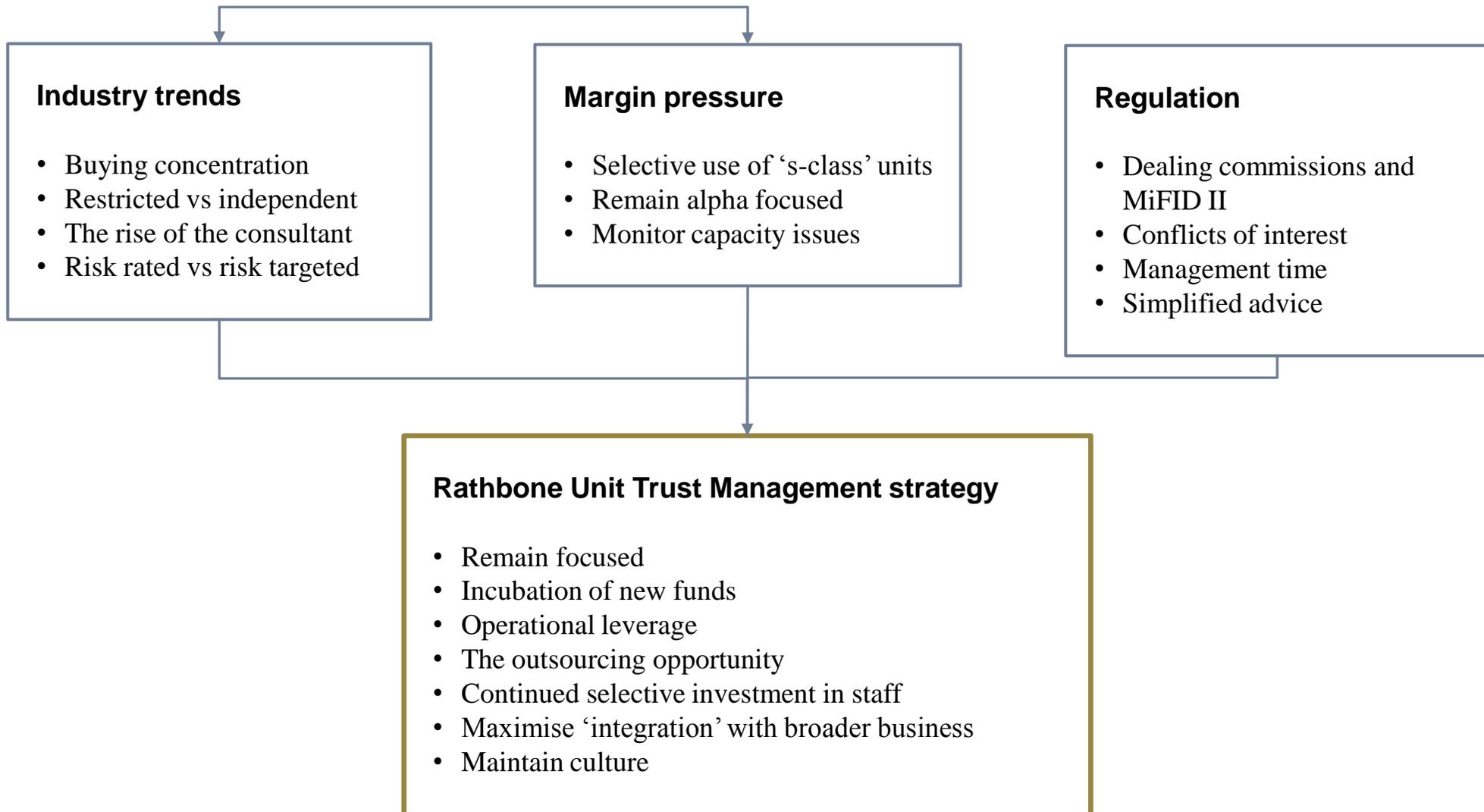
|         | Gross sales (£m) | Net sales (£m) |
|---------|------------------|----------------|
| 2010    | 140.21           | (43.98)        |
| 2011    | 239.66           | 98.76          |
| 2012    | 269.54           | 65.94          |
| 2013    | 572.74           | 331.27         |
| H1 2014 | 546.78           | 353.74         |
|         |                  |                |
| H1 2013 | 183.59           | 64.94          |
| H2 2013 | 389.15           | 266.34         |
| H1 2014 | 546.78           | 353.74         |

# RATHBONE UNIT TRUST MANAGEMENT TODAY



<sup>1</sup> From 13 July 2009, the Rathbone Special Situations Fund and the Rathbone Smaller Companies Fund merged and were relaunched as the Rathbone Recovery Fund. From 13 July 2009 the Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth Fund

<sup>2</sup> Includes: Rathbone Global Alpha Fund (Scottish Life) 2013, Stone & Co Europlus Dividend Growth Fund, Stone & Co Flagship Global Growth Fund



## FUNDS UNDER MANAGEMENT



|  | Investment<br>Management<br>H1 2014<br>(£bn) | Unit Trusts<br>H1 2014<br>(£bn) | Total<br>H1 2014<br>(£bn) | Total<br>H1 2013<br>(£bn) |
|--|--|---------------------------------|---------------------------|---------------------------|
| <b>Opening funds under management</b>                    | <b>20.2</b>                                  | <b>1.8</b>                      | <b>22.0</b>               | 18.0                      |
| Inflows  | <b>1.9</b>                                   | <b>0.5</b>                      | <b>2.4</b>                | 1.7                       |
| - Organic <sup>1</sup>                                   | <b>1.1</b>                                   | <b>0.5</b>                      | <b>1.6</b>                | 1.2                       |
| - Purchased <sup>2</sup>                                 | <b>0.8</b>                                   | -                               | <b>0.8</b>                | 0.5                       |
| Outflow of money   | <b>(0.7)</b>                                 | <b>(0.2)</b>                    | <b>(0.9)</b>              | (0.8)                     |
| - Retained accounts                                      | <b>(0.5)</b>                                 |                                 |                           |                           |
| - Closed accounts  | <b>(0.2)</b>                                 |                                 |                           |                           |
| Market effect  | <b>0.3</b>                                   | <b>0.1</b>                      | <b>0.4</b>                | 1.0                       |
| <b>Closing funds under management</b>                    | <b>21.7</b>                                  | <b>2.2</b>                      | <b>23.9</b>               | <b>19.9</b>               |
| <b>Net organic inflows</b>                               | <b>0.4</b>                                   | <b>0.3</b>                      | <b>0.7</b>                | 0.4                       |
| <b>Underlying rate of net organic growth<sup>3</sup></b> | <b>4.1%</b>                                  | <b>36.5%</b>                    | <b>6.8%</b>               | <b>4.4%</b>               |
| <b>Total rate of net growth<sup>3</sup></b>              | <b>12.2%</b>                                 | <b>36.5%</b>                    | <b>14.3%</b>              | <b>9.4%</b>               |

<sup>1</sup> Organic growth excludes income items and represents new business from current clients or from new clients (including those via intermediaries)

<sup>2</sup> Purchased growth is defined as corporate or team acquisitions and investment managers who are on an earn-out arrangement. Purchased growth in H1 2014 includes funds under management associated with the acquisition of part of Deutsche Asset & Wealth Management's London-based private client investment management business, but not those from the acquisition of Jupiter Asset Management Limited's private client and charity investment management business

<sup>3</sup> Calculated using unrounded numbers

# ACQUISITION UPDATE



## Deutsche Asset & Wealth Management

- London-based private client team
- Three month client migration period
- Completion on 5 June 2014
- £617 million funds under management transferred – 95% transfer rate
- 5 investment professionals plus 4 support staff have joined Rathbones' London office
- Total consideration is expected to be £14m, the remainder of which is payable in instalments between September 2014 and January 2016

## Jupiter Asset Management

- London-based private client and charity team
- Six month client migration period
- Transaction is due to complete 26 September 2014
- Total available funds under management are £2.1bn – £1.6bn of discretionary and other managed funds
- Good progress to date regarding client sign up
- 15 investment professionals plus 11 business development and support staff will join Rathbones' London office in September
- Minimum consideration £32m to be paid on completion

# FOCUS FOR 2014 – PROGRESS AT H1 2014



| Growth initiatives  |   | Operational efficiency   |   |
|---|---|--|---|
| <ul style="list-style-type: none"> <li>Team approach to organic growth</li> </ul>   | <ul style="list-style-type: none"> <li>London office restructured into four teams</li> </ul>  | <ul style="list-style-type: none"> <li>Leverage front end systems</li> </ul>                                   | <ul style="list-style-type: none"> <li>Circa 20% of trades now initiated via Asset Allocation Modelling system</li> </ul> |
| <ul style="list-style-type: none"> <li>Expand IFA and professional intermediary universe and benefit from Vision partnership</li> </ul> | <ul style="list-style-type: none"> <li>39% of new business in 2014 originating from advisor firms</li> </ul>  | <ul style="list-style-type: none"> <li>Rebalance investment manager 'case load' and build capacity</li> </ul>  | <ul style="list-style-type: none"> <li>6 junior investment professionals recruited</li> </ul>                             |
| <ul style="list-style-type: none"> <li>Invest in segments where we see emerging competitive advantage</li> </ul>                        | <ul style="list-style-type: none"> <li>New head of London charities joined June 2014</li> <li>Acquisition of independent solicitors Rooper &amp; Whately</li> </ul> | <ul style="list-style-type: none"> <li>Upgrade core client data management/electronic filing system</li> </ul> |   |
| <ul style="list-style-type: none"> <li>Support growth momentum of unit trust business</li> </ul>  | <ul style="list-style-type: none"> <li>Funds under management increased to £2.2 billion</li> <li>2 new fund managers recruited</li> </ul>                           | <ul style="list-style-type: none"> <li>Deliver new online access for clients and IFAs</li> </ul>               | <ul style="list-style-type: none"> <li>Phase 1 of upgraded online portfolio service launched June 2014</li> </ul>         |
| <ul style="list-style-type: none"> <li>Commence review of performance incentive schemes and long term incentives</li> </ul>             |   | <ul style="list-style-type: none"> <li>Continuous improvement programme in operations and IT</li> </ul>        | <ul style="list-style-type: none"> <li>Liverpool servers successfully moved to third party data centre</li> </ul>         |

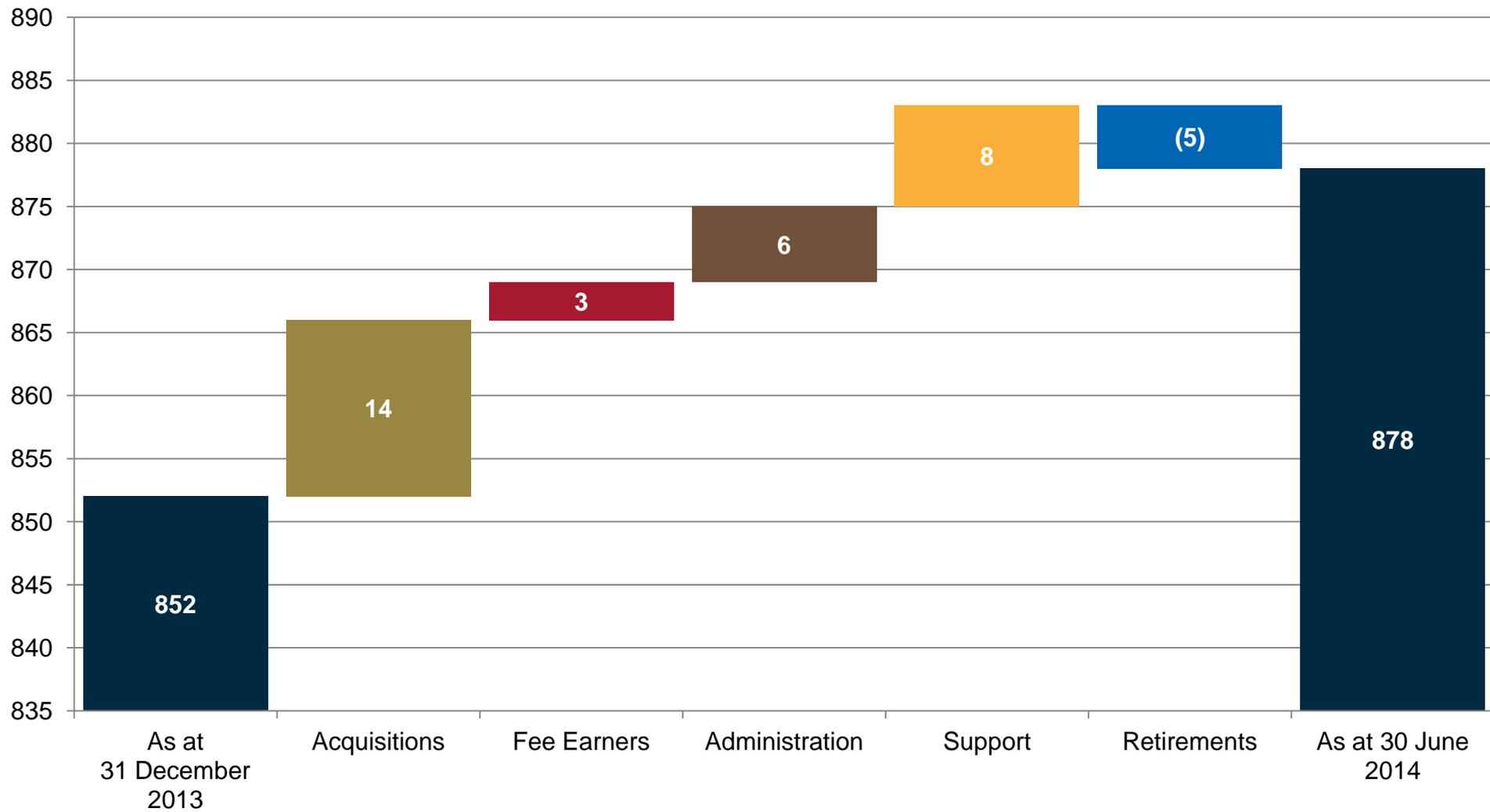
# FOCUS FOR 2014 – PROGRESS AT H1 2014



| Investment process  |  | Resource management  |  |
|---|--|--|--|
| <ul style="list-style-type: none"> <li>Strengthen our investment risk management capability for scale</li> </ul>    | <ul style="list-style-type: none"> <li>Head of investment process and risk recruited</li> </ul>        | <ul style="list-style-type: none"> <li>Reinforce senior management to support strategic growth</li> </ul>      | <ul style="list-style-type: none"> <li>Head of strategy and organisation development recruited and recruitment of a chief risk officer underway</li> </ul> |
| <ul style="list-style-type: none"> <li>Enhance investment performance reporting</li> </ul>                          | <ul style="list-style-type: none"> <li>GIPS accreditation achieved in June 2014</li> </ul>             | <ul style="list-style-type: none"> <li>Maintain the balance of professional and leadership training</li> </ul> | <ul style="list-style-type: none"> <li>18 professional plus 6 leadership training courses run to date</li> </ul>   |
| <ul style="list-style-type: none"> <li>Initiated phased increase in depth and scope of in-house research</li> </ul> | <ul style="list-style-type: none"> <li>2 analysts recruited and 4 further positions planned</li> </ul> | <ul style="list-style-type: none"> <li>Control the ratio of support staff to investment managers</li> </ul>    | <ul style="list-style-type: none"> <li>11 investment managers and 6 assistants recruited vs 11 support staff</li> </ul>                                    |



# GROWTH IN HEADCOUNT<sup>1</sup>



<sup>1</sup> Actual number of full time equivalent employees



## CONCLUSION AND CURRENT TRADING

“NOTWITHSTANDING RELATIVELY FLAT MARKETS THERE HAS BEEN CONTINUED MOMENTUM FROM BOTH ORGANIC AND ACQUIRED GROWTH. THE IMPACT OF RECENT ACQUISITIONS IS EXPECTED TO HAVE A POSITIVE EFFECT ON EARNINGS IN 2015. WE ARE CONTINUING TO INVEST CAREFULLY IN THE SKILLS AND SYSTEMS REQUIRED TO ACHIEVE OUR GROWTH OBJECTIVES, RATHBONES’ OUTLOOK THEREFORE REMAINS POSITIVE.”



# APPENDICES





## TO BE THE UK'S LEADING, INDEPENDENTLY OWNED PROVIDER OF INVESTMENT MANAGEMENT SERVICES TO PRIVATE CLIENTS AND TRUSTEES

By delivering outstanding client service and investment excellence, maintain our significant growth in funds under management over the next five years through a combination of organic growth, acquisition, recruitment and investment performance, while enhancing earnings.

- To provide high quality investment management, trust, tax and pension services for private client individuals, charities and trustees.
- To provide a growing stream of dividend income for shareholders, delivered through steady and consistent growth in earnings per share.
- To provide an interesting and stimulating career environment for staff, including a commitment that all employees have a share in equity and profits.

## ANALYSING THE BALANCE SHEET

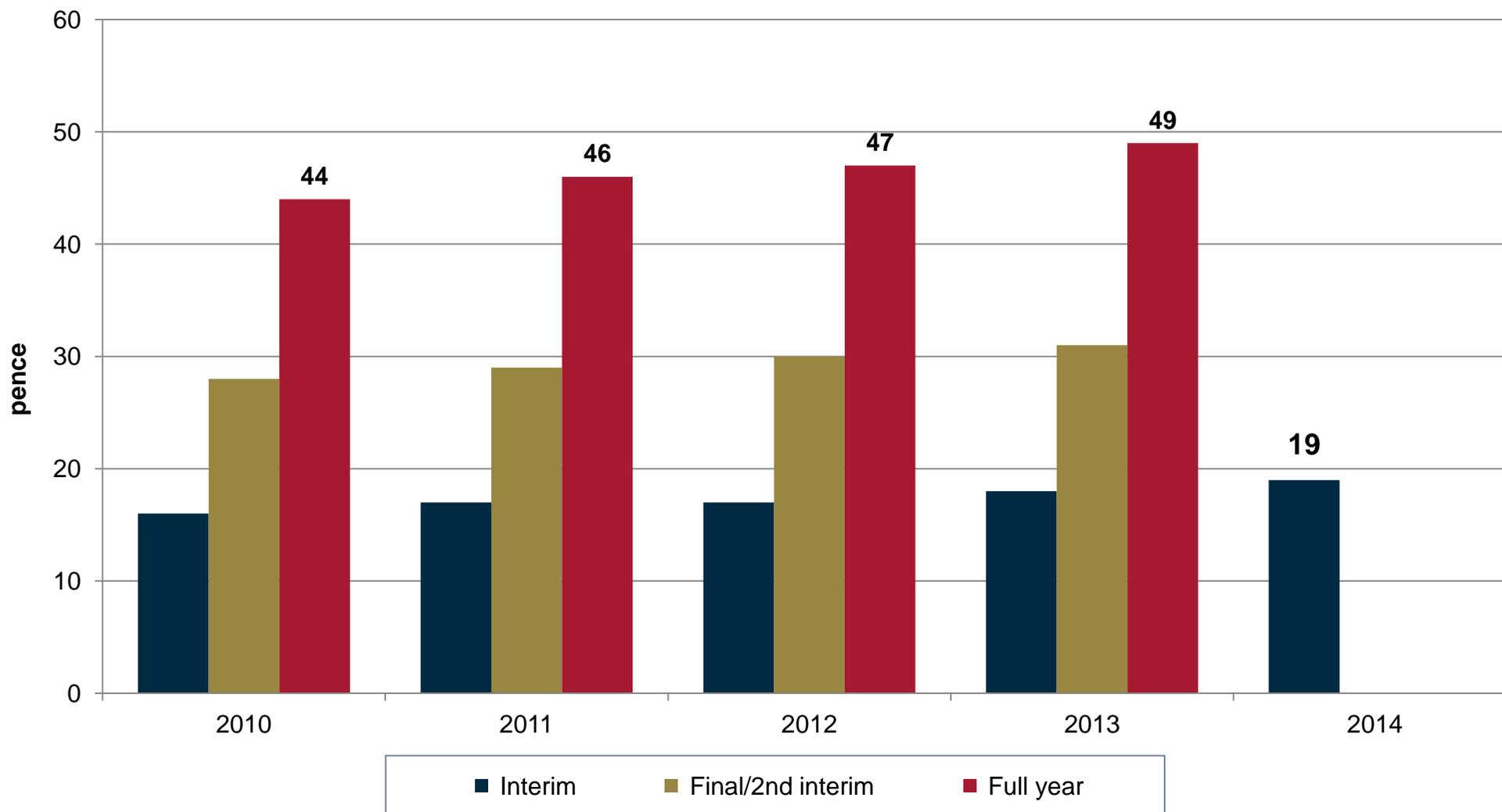


| <u>Assets</u>                                | 30/06/14<br>(£'000) | 30/06/13<br>(£'000) | <u>Liabilities</u>                    | 30/06/14<br>(£'000) | 30/06/13<br>(£'000) |
|--|---------------------|---------------------|---------------------------------------|---------------------|---------------------|
| Cash and balances with central banks         | 591,005             | 213,004             | Deposits by banks                     | 4,202               | -                   |
| Settlement balances                          | 39,893              | 44,157              | Settlement balances                   | 65,298              | 60,012              |
| Loans and advances to banks                  | 110,760             | 135,908             | Due to customers                      | 1,084,295           | 928,952             |
| Loans and advances to customers <sup>1</sup> | 91,801              | 81,085              | Deferred tax liability                | -                   | 1,070               |
| Investment securities – available for sale   | 38,841              | 37,799              | Accruals, deferred income & other     | 101,340             | 50,357              |
| Investment securities – held to maturity     | 453,714             | 606,008             | Current tax liabilities               | 6,310               | 4,618               |
| Prepayments, accrued income & other assets   | 80,102              | 43,561              | Retirement benefit obligations        | 3,675               | -                   |
| Property, plant & equipment                  | 10,970              | 12,067              | <b>Total liabilities</b>              | <b>1,265,120</b>    | <b>1,045,009</b>    |
| Deferred tax asset                           | 3,834               | -                   | <u>Equity</u>                         |                     |                     |
| Investment in associates                     | 1,366               | 1,288               | Called up share capital               | 2,390               | 2,312               |
| Intangible assets                            | 117,797             | 105,808             | Share premium/other reserves          | 118,550             | 94,436              |
| Surplus on retirement benefit schemes        | -                   | 9,297               | Retained earnings                     | 154,023             | 148,225             |
| <b>Total assets</b>                          | <b>1,540,083</b>    | <b>1,289,98</b>     | <b>Total equity</b>                   | <b>274,963</b>      | <b>244,973</b>      |
|  |                     |                     | <b>Total liabilities and equities</b> | <b>1,540,083</b>    | <b>1,289,982</b>    |

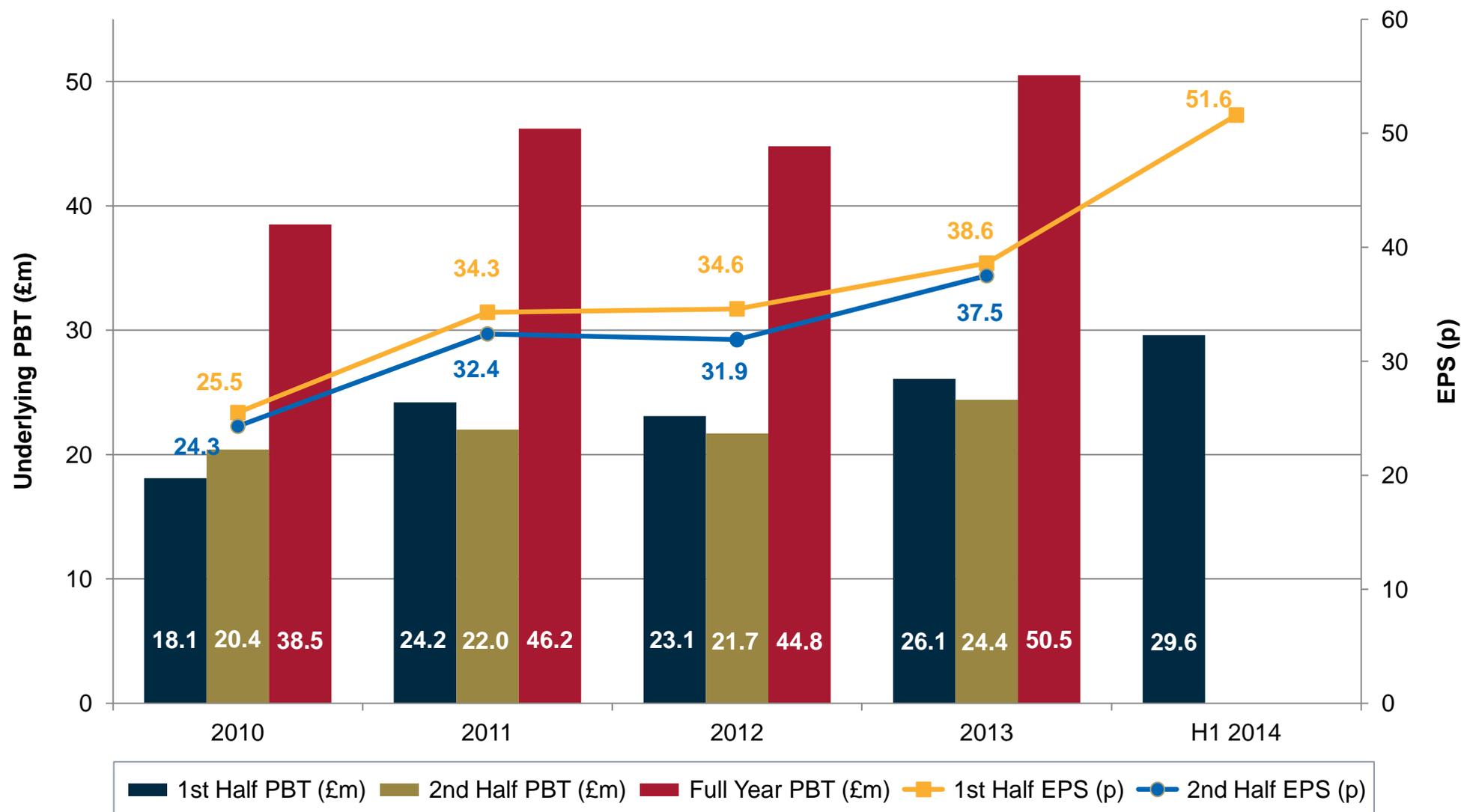
Banking operational & shareholder cash
  Working capital
  Financing related
  Equity capital related

<sup>1</sup> Loans and advances to customers largely consist of the investment management loan book, but also include overdrafts, trust and pension debtors and other debtors

# DIVIDEND HISTORY

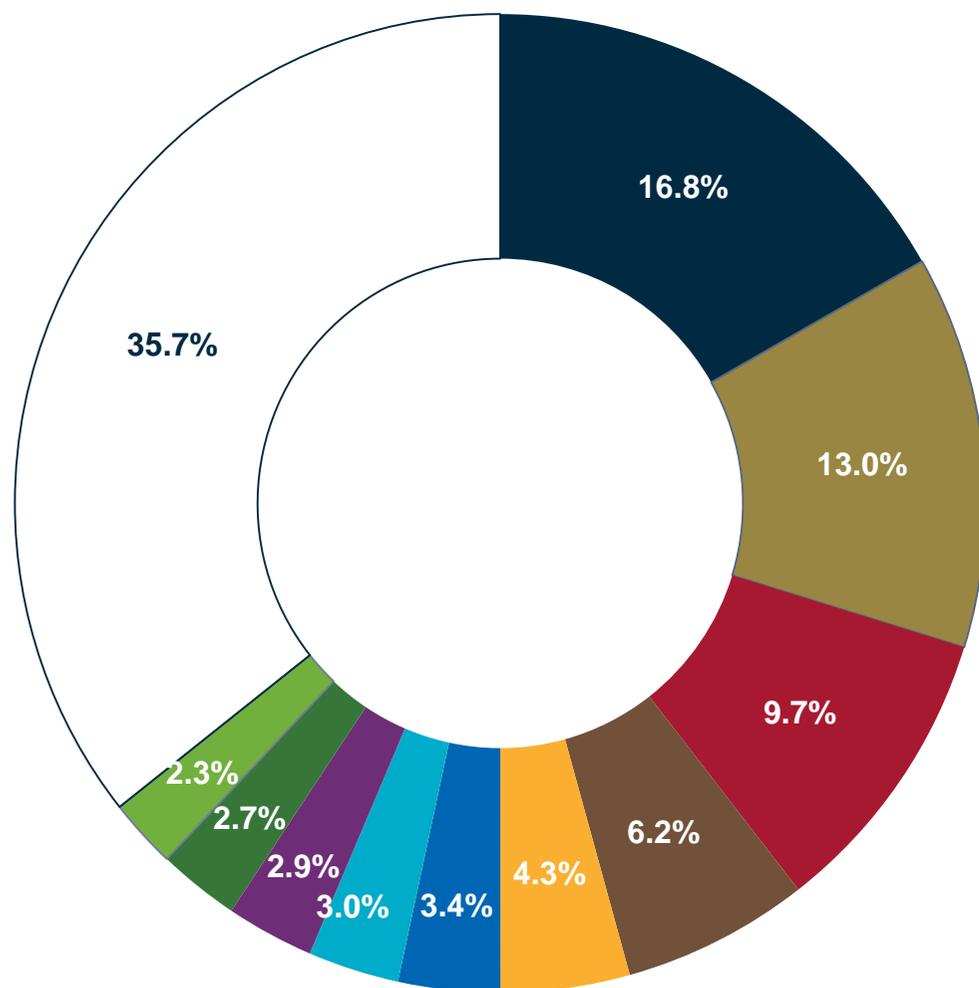


# PROFITS BEFORE TAX<sup>1</sup> (£M) AND EPS



<sup>1</sup> Underlying profit before tax excludes transaction costs, charges in relation to client relationships and goodwill, FSCS levies (exceptional), head office relocation costs and gain on disposal of financial securities

# SHAREHOLDERS AS AT 30 JUNE 2014



- Rathbone staff, directors and former staff
- Lindsell Train<sup>1</sup>
- BlackRock Investment Management<sup>2</sup>
- MFS Investment Management<sup>3</sup>
- Heronbridge Investment Management
- Troy Asset Management
- Aviva Investors
- Franklin Templeton Investment Management
- Legal & General Investment Management
- Mawer investment Management
- Other (including fund management groups, insurance companies and private clients)

<sup>1</sup> Lindsell Train control the voting rights in respect of <10% of this holding, the remainder of the holding is held on behalf of their clients

<sup>2</sup> Includes shares held by BlackRock Investment Management (BGI)

<sup>3</sup> Includes shares held by MFS International Management

# BOARD AND EXECUTIVE COMMITTEE



## BOARD

**Mark Nicholls**  
Chairman

### Executive directors

**Philip Howell**  
Chief Executive Officer

**Paul Stockton**  
Finance Director

**Paul Chavasse**  
Head of Investment Management

### Non-executive directors

**David Harrel<sup>1</sup>**

**James Dean**

**Kathryn Matthews**

## EXECUTIVE COMMITTEE

**Philip Howell**  
Chief Executive Officer

**Andrew Butcher**  
Chief Operating Officer

**Paul Stockton**  
Finance Director

**Ian Buckley**  
CEO, Rathbone Trust Company

**Paul Chavasse**  
Head of Investment Management

**Mike Webb**  
CEO, Rathbone Unit Trust Management

<sup>1</sup> Senior independent director

# RATHBONE BROTHERS PLC

## SEGMENTAL RESULTS

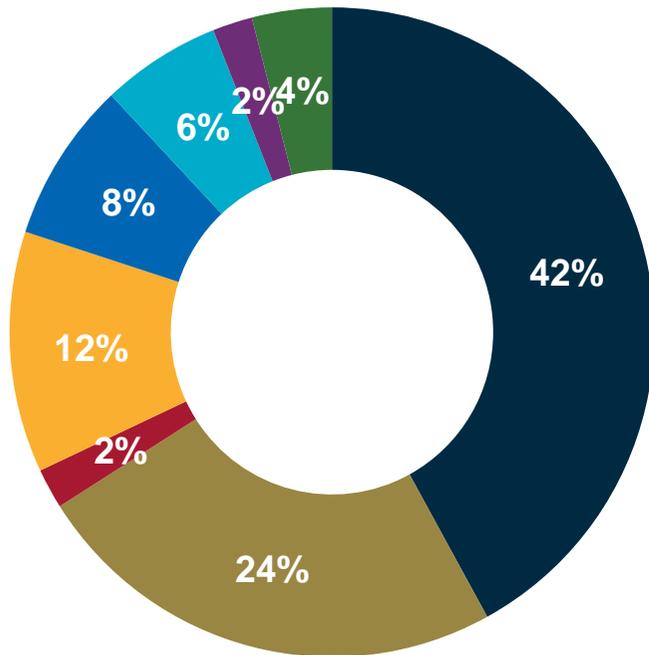


|   | Investment<br>Management<br>(£m) | Unit Trusts<br>(£m) | Indirect<br>expenses<br>(£m) | Total<br>(£m) |
|---|----------------------------------|---------------------|------------------------------|---------------|
| <b>H1 2014</b>  |                                  |                     |                              |               |
| Net investment management fee income  | 56.8                             | 6.2                 |                              | 63.0          |
| Net commission income   | 23.5                             | -                   |                              | 23.5          |
| Net interest income   | 4.4                              | -                   |                              | 4.4           |
| Fees from advisory services and other income  | 6.1                              | 1.1                 |                              | 7.2           |
| <b>Underlying operating income</b>  | <b>90.8</b>                      | <b>7.3</b>          |                              | <b>98.1</b>   |
| Staff costs – fixed   | (21.7)                           | (1.6)               | (7.4)                        | (30.7)        |
| Staff costs – variable  | (12.5)                           | (1.3)               | (3.4)                        | (17.2)        |
| Other direct expenses (inc. charges in relation to client relationships and goodwill) | (10.7)                           | (1.3)               | (12.2)                       | (24.2)        |
| Allocation of indirect expenses   | (21.6)                           | (1.4)               | 23.0                         | -             |
| <b>Segment profit before tax</b>  | <b>24.3</b>                      | <b>1.7</b>          | <b>-</b>                     | <b>26.0</b>   |
| <b>H1 2013</b>  |                                  |                     |                              |               |
| Net investment management fee income  | 50.1                             | 4.4                 |                              | 54.5          |
| Net commission income   | 23.2                             | -                   |                              | 23.2          |
| Net interest income   | 4.2                              | -                   |                              | 4.2           |
| Fees from advisory services and other income  | 5.5                              | 0.7                 |                              | 6.2           |
| <b>Underlying operating income</b>  | <b>83.0</b>                      | <b>5.1</b>          |                              | <b>88.1</b>   |
| Staff costs – fixed   | (20.1)                           | (1.6)               | (6.9)                        | (28.6)        |
| Staff costs – variable  | (10.2)                           | (0.6)               | (2.9)                        | (13.7)        |
| Other direct expenses (inc. charges in relation to client relationships and goodwill) | (11.8)                           | (1.2)               | (9.6)                        | (22.6)        |
| Allocation of indirect expenses   | (18.2)                           | (1.2)               | 19.4                         | -             |
| <b>Segment profit before tax</b>  | <b>22.7</b>                      | <b>0.5</b>          | <b>-</b>                     | <b>23.2</b>   |

# TOTAL OPERATING EXPENSES

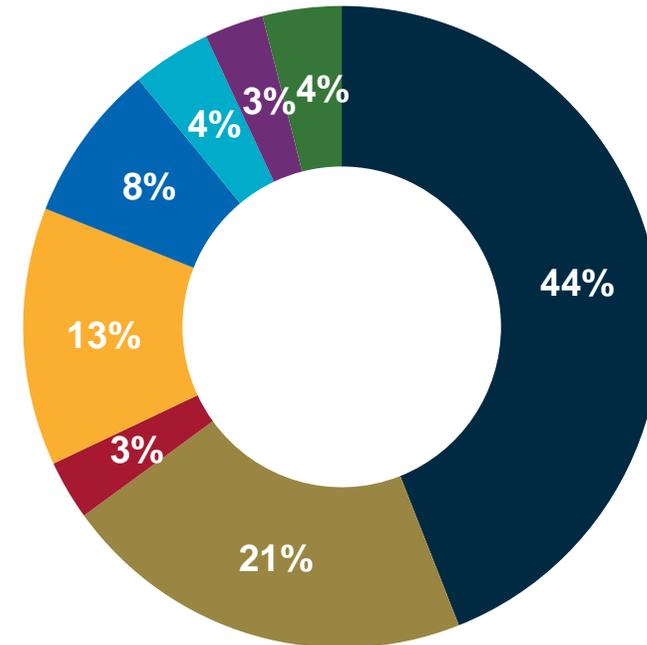


H1 2014



£73.1m

H1 2013



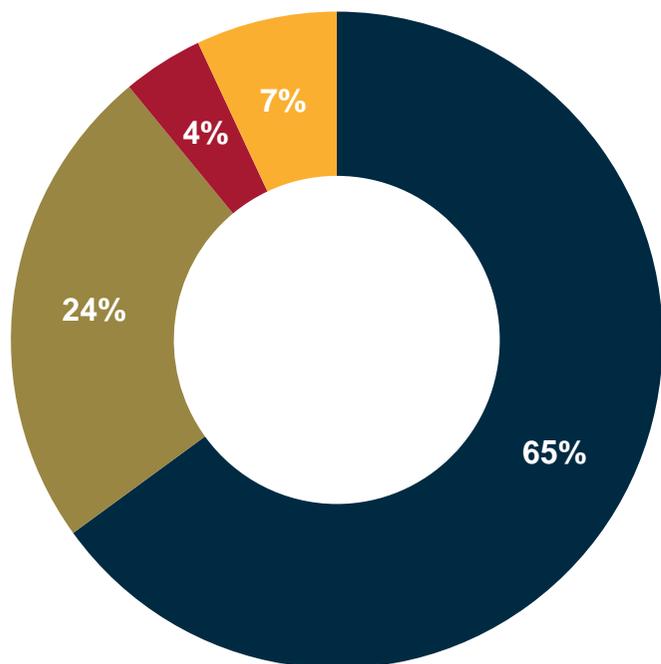
£64.9m

- Staff - payroll (excluding variable)
- Staff - other
- Depreciation, amortisation & impairment
- Settlements

- Staff - variable
- Property
- Professional
- IT



# UNDERLYING OPERATING INCOME<sup>1</sup>



- Net investment management fee income
- Net commission income
- Net interest income
- Fees from advisory services and other income

|                | Investment Management Fees | Commission <sup>2</sup> | Interest <sup>3</sup> |
|----------------|----------------------------|-------------------------|-----------------------|
| Rathbones      | 100p                       | 100p                    | 100p                  |
| Cost to client | 120p                       | 100p<br>(or 72p)        | 55p                   |

<sup>1</sup> Six months ended 30 June 2014

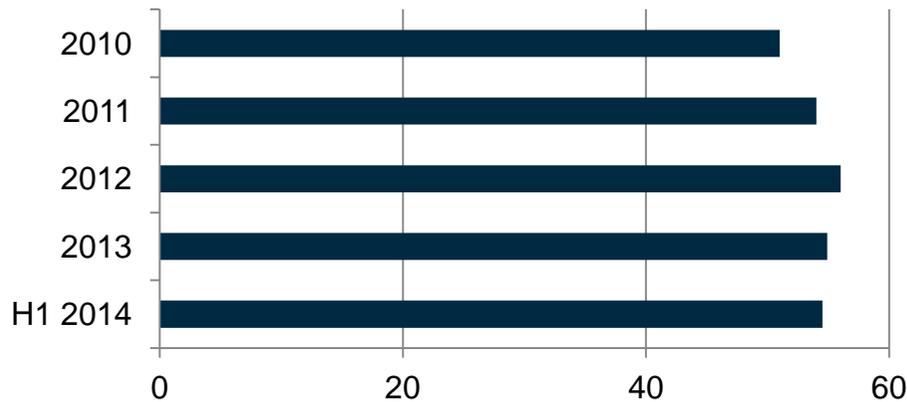
<sup>2</sup> Allowable cost for CGT

<sup>3</sup> Assumes 45% marginal tax rate from 5 April 2013

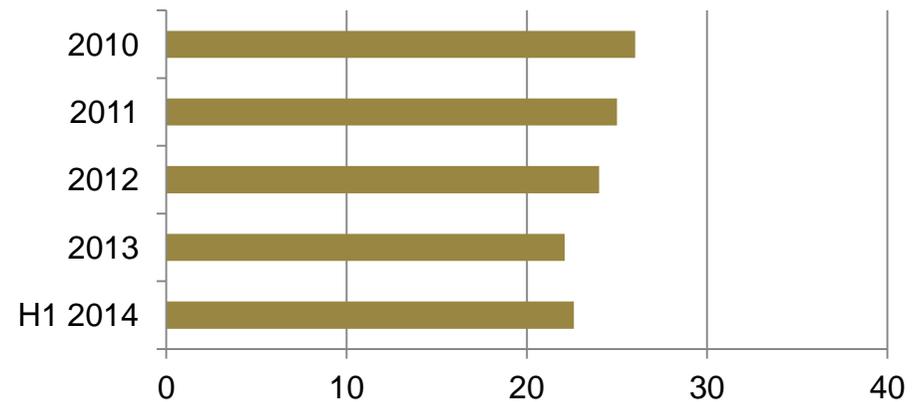
# ANALYSIS OF OPERATING INCOME



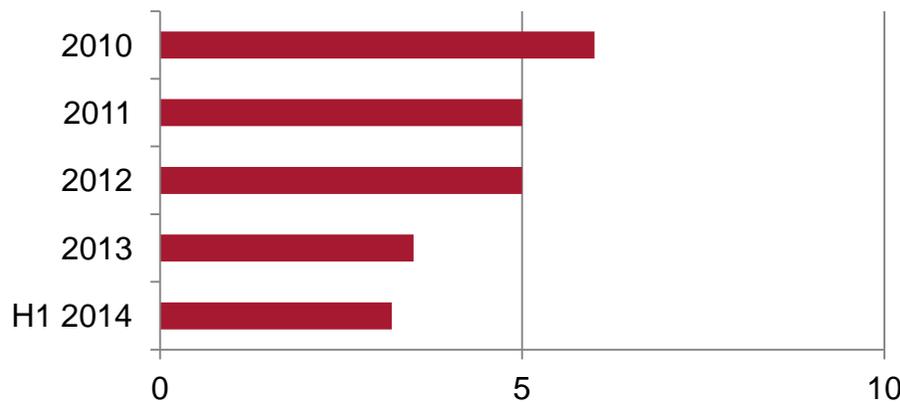
**Basis point return from fees<sup>1</sup>**



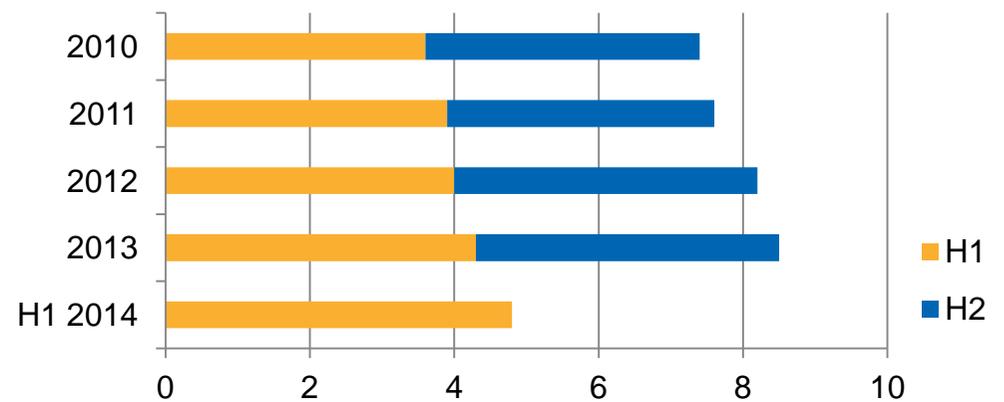
**Basis point return from commission**



**Basis point return from interest**



**Advisory fee income (£m)**



<sup>1</sup> 2010 and 2014 return calculations exclude funds from Lloyds and Deutsche Bank respectively due to fee holidays

## INVESTMENT MANAGEMENT



|  | H1 2014<br>(£m) | H1 2013<br>(£m) | % change   | FY 2013<br>(£m) |
|--|-----------------|-----------------|------------|-----------------|
| <i>Average FTSE 100 Index<sup>1</sup></i>        | <b>6720</b>     | 6233            | 7.8        | 6419            |
| Net investment management fee income             | <b>56.8</b>     | 50.1            | 13.4       | 104.2           |
| Net commission income                            | <b>23.5</b>     | 23.2            | 1.3        | 42.0            |
| Net interest income                              | <b>4.4</b>      | 4.2             | 4.8        | 8.6             |
| Fees from advisory services and other income     | <b>6.1</b>      | 5.5             | 10.9       | 10.5            |
| <b>Net operating income</b>                      | <b>90.8</b>     | <b>83.0</b>     | <b>9.4</b> | <b>165.3</b>    |
| Direct expenses                                  | <b>(41.3)</b>   | (39.2)          | 5.4        | (79.9)          |
| Recharges  | <b>(21.6)</b>   | (18.2)          | 18.7       | (36.3)          |
| <b>Underlying operating expenses<sup>2</sup></b> | <b>(62.9)</b>   | <b>(57.4)</b>   | <b>9.6</b> | <b>(116.2)</b>  |
| <b>Underlying profit before tax</b>              | <b>27.9</b>     | <b>25.6</b>     | <b>9.0</b> | <b>49.1</b>     |
| Annualised basis point return                    | <b>80</b>       | 84              |            | 81              |
| Portfolio turnover <sup>3</sup>                  | <b>17.3%</b>    | 18.4%           |            | 16.4%           |
| Average funds under management (£bn)             | <b>20.8</b>     | 18.3            | 13.9       | 19.0            |

<sup>1</sup> On our quarterly charging dates

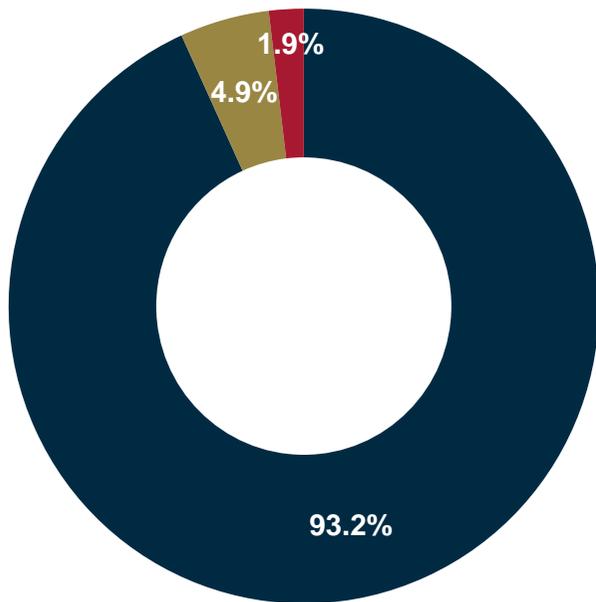
<sup>2</sup> Excludes transaction costs and charges in relation to client relationships and goodwill

<sup>3</sup> Overall turnover figures equate to an average of all investment team turnover. This is calculated as purchase consideration plus sales consideration divided by average FUM on the two quarterly charging dates, and then halved (because most transactions represent a sale and a purchase)



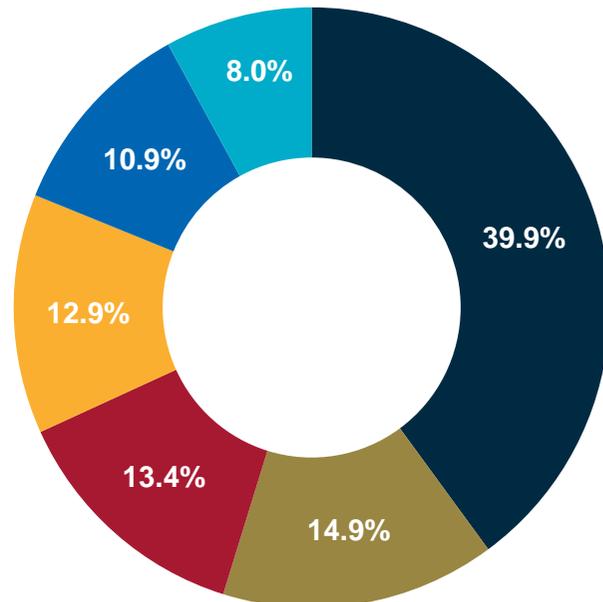
# RATHBONE INVESTMENT MANAGEMENT CLIENT BASE ANALYSIS OF FUNDS UNDER MANAGEMENT<sup>1</sup>

Service level



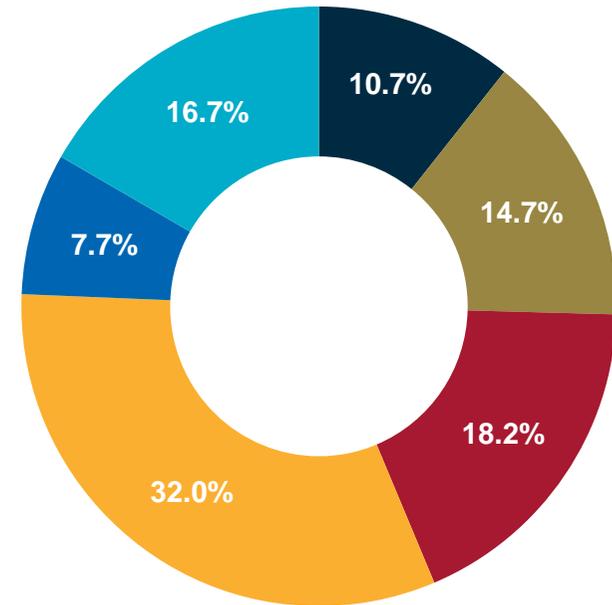
- Discretionary
- Advisory
- Execution Only

Account type



- Private client
- ISAs
- Trust and settlements
- Charities
- Pensions (including SIPP)
- Other

Value of client relationship

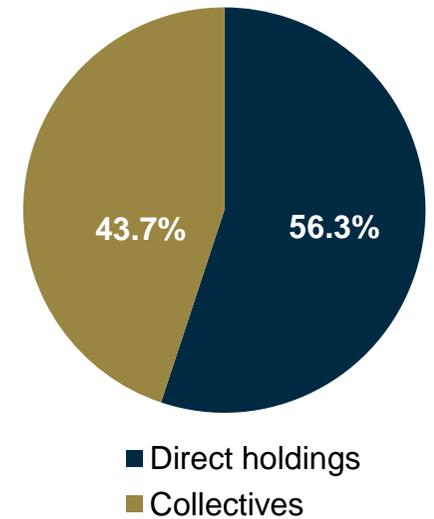
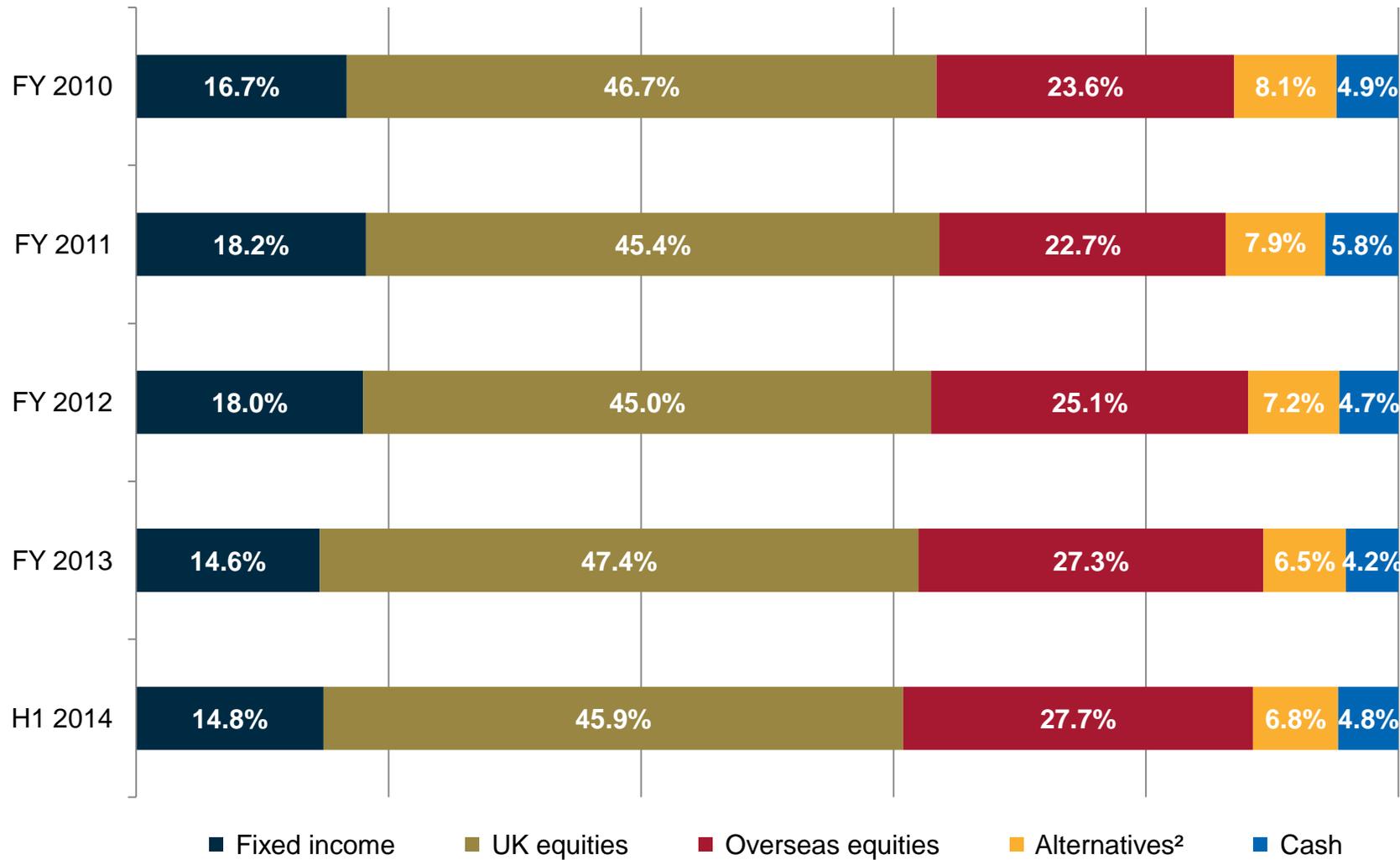


- <£250,000
- £250,000 - £500,000
- £500,000 - £1m
- £1m - £5m
- £5m - £10m
- >£10m

<sup>1</sup> As a percentage of total funds under management at 30 June 2014



# WHERE OUR CLIENTS' ASSETS ARE INVESTED<sup>1</sup>



<sup>1</sup> Including Rathbone Investment Management International

<sup>2</sup> Including fund of hedge funds and structured products

# RATHBONE INVESTMENT MANAGEMENT

## OFFICES



| <b>UK offices</b>             | <b>Number of investment professionals<sup>1</sup></b> | <b>Funds under management (£bn at 30/06/14)<sup>2</sup></b> |
|-------------------------------|---|---|
| London                        | 106   | 13.23   |
| Liverpool                     | 25  | 2.15  |
| Edinburgh                     | 23  | 2.04  |
| Winchester                    | 18  | 1.28  |
| Bristol                       | 18  | 1.18  |
| Other UK offices <sup>3</sup> | 31  | 1.80  |
| <b>Offshore offices</b>       |   |   |
| Jersey <sup>4</sup>           | 7   | 0.49  |
| <b>Total</b>                  | <b>228</b>  | <b>22.17</b>  |

<sup>1</sup> As at 30 June 2014 excluding fund managers of Rathbone Unit Trust Management

<sup>2</sup> Figures include circa £510m invested in Rathbone Unit Trust Management funds

<sup>3</sup> Including: Aberdeen, Birmingham, Cambridge, Chichester, Exeter, Kendal, Lymington and Newcastle

<sup>4</sup> Offshore Rathbone Investment Management International portfolios managed under delegation in UK is included with the relevant UK office's funds under management

## ANNUAL MANAGEMENT FEES &amp; DEALING CHARGES

**Discretionary Management fees (subject to VAT)**

|  | Main funds (pa) | ISA funds (pa) |
|--|-----------------|----------------|
| <b>Fixed charge</b><br>(not applicable for funds valued below £15,000) | £100            | £100           |
| First £100,000   | 0.70%           | 1.00%          |
| Next £150,000  | 0.70%           | 0.70%          |
| Next £250,000  | 0.30%           | 0.30%          |
| Balance over £500,000  | 0.25%           | 0.25%          |

**Discretionary dealing charges**

|                            | UK equities &<br>collective funds* | Fixed interest &<br>bonds | Overseas equities<br>& collective funds |
|----------------------------|------------------------------------|---------------------------|---|
| <b>Transaction charges</b> | £20                                | £20                       | £20                                     |
| First £10,000              | 1.35%                              | 0.90%                     | 1.50%                                   |
| Next £15,000               | 0.50%                              | 0.40%                     | 0.60%                                   |
| Next £25,000               | 0.25%                              | 0.20%                     | 0.30%                                   |
| Balance over £50,000       | 0.125%                             | 0.10%                     | 0.15%                                   |

\* Includes preference and convertible shares

Rathbone Investment Management will absorb the dealing charges of any stockbroker acting as agent. Charges may vary according to custody arrangements and jurisdiction of management.

# PERFORMANCE: UNIT TRUSTS



| Performance <sup>1</sup> and Quartile Ranking at 30 June 2014 (I-Class Units) | 1 year |     | 3 year |     | 5 year |     | Since launch |     | Size of fund (£m) <sup>†</sup> |
|---|--------|-----|--------|-----|--------|-----|--------------|-----|--------------------------------|
|   |        |     |        |     |        |     |              |     |                                |
| <i>FTSE 100 Index</i>   | 12.35  | N/A | 26.65  | N/A | 89.57  | N/A |              |     | N/A                            |
| Rathbone Income Fund  | 13.46  | 3   | 48.38  | 1   | 119.90 | 1   | 277.46       | 1   | 857.05                         |
| Rathbone Global Opportunities Fund  | 11.30  | 1   | 29.14  | 2   | 105.00 | 1   | 254.76       | 1   | 424.84                         |
| Rathbone Ethical Bond Fund  | 10.66  | 1   | 29.00  | 1   | 78.69  | 1   | 66.08        | 1   | 191.07                         |
| Rathbone Recovery Fund <sup>2</sup>   | 21.15  | 1   | 41.56  | 2   | N/A    | N/A | 135.00       | 1   | 79.68                          |
| Rathbone Blue Chip and Income Growth Fund <sup>3, 4</sup>                     | 13.46  | 2   | 40.55  | 2   | 98.48  | 2   | 170.21       | 1   | 61.10                          |
| Rathbone Strategic Bond Fund  | 6.06   | 3   | N/A    | N/A | N/A    | N/A | 22.38        | 3   | 60.22                          |
| Rathbone Heritage Fund <sup>5</sup>   | 9.50   | N/A | N/A    | N/A | N/A    | N/A | 11.45        | N/A | 14.23                          |
| Rathbone Multi Asset Strategic Growth Fund <sup>6</sup>                       | 7.17   | N/A | 18.61  | N/A | 60.89  | N/A | 56.70        | N/A | 83.45                          |
| Rathbone Multi Asset Total Return Fund <sup>6</sup>                           | 4.34   | N/A | 13.72  | N/A | 44.65  | N/A | 42.24        | N/A | 60.01                          |
| Rathbone Multi Asset Enhanced Growth Fund                                     | 7.60   | N/A | N/A    | N/A | N/A    | N/A | 17.66        | N/A | 8.76                           |

Data source: Financial Express as at 31 January 2014

<sup>1</sup> Performance figures (including FTSE 100) are stated on a total return basis

<sup>2</sup> From 13 July 2009, the Rathbone Special Situations Fund and the Rathbone Smaller Companies Fund merged and were relaunched as the Rathbone Recovery Fund

<sup>3</sup> & <sup>4</sup> Prior to March 2009 this fund was known as the Rathbone Income and Growth Fund. From 13 July 2009 the Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth Fund

<sup>5</sup> Heritage Fund launched on 25 March 2013

<sup>6</sup> & <sup>7</sup> Rathbone Multi Asset Portfolios launched on 10 June 2009 and 1 August 2011 respectively

<sup>†</sup> 'Overall' Fund (Mid-Market) Value (including all share classes)

*Past performance should not be seen as an indication of future performance. The value of investments and the income from them may go down as well as up and you may not get back your original investment*

## PERFORMANCE: UNIT TRUSTS



| Discrete year performance and quartile ranking at 30 June 2014 (I-Class Units) | 2010  |     | 2011  |     | 2012  |     | 2013  |     | 2014<br>Year to date |     |
|--|-------|-----|-------|-----|-------|-----|-------|-----|----------------------|-----|
| Rathbone Income Fund   | 20.87 | 1   | 22.60 | 2   | 3.51  | 1   | 26.35 | 1   | 13.46                | 3   |
| Rathbone Global Opportunities Fund   | 23.59 | 2   | 28.45 | 1   | -3.64 | 1   | 20.41 | 3   | 11.30                | 1   |
| Rathbone Ethical Bond Fund   | 23.97 | 1   | 11.74 | 1   | 2.18  | 4   | 14.09 | 1   | 10.66                | 1   |
| Rathbone Recovery Fund   | N/A   | N/A | 33.76 | 1   | -4.10 | 3   | 21.84 | 2   | 21.15                | 1   |
| Rathbone Blue Chip and Income Growth Fund <sup>1,2</sup>                       | 13.88 | 4   | 24.00 | 2   | -0.12 | 2   | 23.36 | 2   | 14.07                | 2   |
| Rathbone Strategic Bond Fund   | N/A   | N/A | N/A   | N/A | N/A   | N/A | 8.45  | 3   | 6.60                 | 3   |
| Rathbone Multi Asset Strategic Growth Fund <sup>3</sup>                        | 20.85 | N/A | 12.24 | N/A | -2.98 | N/A | 14.07 | N/A | 7.17                 | N/A |
| Rathbone Multi Asset Total Return Fund <sup>3</sup>                            | 17.39 | N/A | 8.36  | N/A | 1.90  | N/A | 6.95  | N/A | 4.34                 | N/A |
| Rathbone Multi Asset Enhanced Growth Fund                                      | N/A   | N/A | N/A   | N/A | N/A   | N/A | 16.74 | N/A | 7.60                 | N/A |

Data source: Financial Express as at 31 June 2014

<sup>1</sup> Prior to March 2009 this fund was known as the Rathbone Income and Growth Fund

<sup>2</sup> From 13 July 2009 the Rathbone High Income Fund merged into the Rathbone Blue Chip Income and Growth Fund

<sup>3</sup> Rathbone Multi Asset Portfolios launched on 10 June 2009

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