

Rathbone Brothers Plc

Third quarter interim management statement

Rathbone Brothers Plc (“Rathbones”) announces a trading update for the three months ended 30 September 2020.

Paul Stockton, Chief Executive, said:

“Funds under management and administration reached £50.5 billion at 30 September 2020, as growth and strong investment performance more than offset the adverse effect of weaker financial markets during the first nine months of the year.

Net operating income of £87.0 million in the third quarter was strong (Q3 2019: £86.3 million), in light of persistently low interest rates and year on year falls of 20.8% and 5.8% in the FTSE 100 and MSCI PIMFA Private Investor Balanced Indices respectively. The performance of our Unit Trusts business continues to be very strong, delivering an annualised rate of net organic growth of 19.6% in the third quarter.

Whilst the medium term impacts of the pandemic are likely to weigh on investor sentiment for some time, we continue to convert more client assets to our discretionary service, invest in technology, and attract high quality investment professionals to support our future growth. Our balance sheet remains robust, placing us in a strong position to support the ongoing safety and well-being of our colleagues and communities, identify inorganic opportunities that fit our culture, and deliver long term value to our clients and shareholders in a structurally growing UK wealth management market.”

Highlights:

- Total funds under management and administration (‘FUMA’) increased 0.2% to £50.5 billion during the first nine months of the year (31 December 2019: £50.4 billion).
 - £41.8 billion in the Investment Management business (31 December 2019: £43.0 billion).
 - £8.7 billion in Rathbone Unit Trust Management (‘RUTM’) (31 December 2019: £7.4 billion).
- Total net inflows across Investment Management and RUTM were £0.3 billion in the third quarter (Q3 2019: £0.1 billion), representing an annualised growth rate of 2.2% (Q3 2019: 1.3%).
 - Gross organic inflows in Investment Management in the third quarter were resilient at £0.6 billion, (Q3 2019: £0.8 billion) in a challenging growth environment. Outflows were £0.8 billion in the third quarter of 2020, compared to £0.9 billion in the prior period. Outflows included £153 million of low margin mandates and execution only business as well as a further part withdrawal of a short term mandate (as previously reported).
 - RUTM reported Q3 2020 net inflows of £0.4 billion (Q3 2019: £0.3 billion), representing 19.6% (annualised) of opening funds under management (Q3 2019: 19.0%, annualised), with particularly strong net inflows into the Global Opportunities Fund, Ethical Bond Fund and multi-asset funds.
 - RUTM was named Best Fund Provider at the Investment, Life and Pensions Moneyfacts Awards 2020 (as voted for by financial advisers) and was also commended for Best Investment Service.
 - According to the Pridham Report, which monitors fund sales and asset trends in the UK, RUTM was ranked in 10th position for overall net retail sales during the first and second quarters of 2020, maintaining its top 10 position for the last 5 quarters.
- Total net operating income was £87.0 million for the three months ended 30 September 2020, an increase of 0.8% from the £86.3 million for the three months ended 30 September 2019.
 - Investment Management fees were up 1.4% compared to Q3 2019.
 - Commission income of £11.8 million was 4.4% ahead of Q3 2019. Commissions in Q3 2020 were 39.5% lower than in Q2 2020, reflecting a return to more normalised levels of client trading in the third quarter after the market volatility in the first half resulted in elevated trading volumes.
 - Net interest income decreased to £2.2 million (Q3 2019: £4.4 million), reflecting UK base rate reductions in place since March 2020.
 - Fees from advisory services and other income decreased by 10.0% to £4.5 million (Q3 2019: £5.0 million).
 - Net operating income in RUTM totalled £11.7 million for the three months ended 30 September 2020, a significant increase of 21.9% on the £9.6 million reported for the third quarter in 2019.

Net operating income:

	3 months ended 30 September			9 months ended 30 September		
	2020 £m	2019 £m	Change %	2020 £m	2019 £m	Change %
Investment Management						
- Fees	56.8	56.0	1.4	163.2	166.6	(2.0)
- Commissions	11.8	11.3	4.4	49.2	39.0	26.2
- Net interest income	2.2	4.4	(50.0)	7.0	12.1	(42.1)
- Fees from advisory services ¹ and other income	4.5	5.0	(10.0)	14.6	14.4	1.4
	75.3	76.7	(1.8)	234.0	232.1	0.8
RUTM	11.7	9.6	21.9	32.0	27.0	18.5
Total net operating income	87.0	86.3	0.8	266.0	259.1	2.7

Annualised basis point return:

Investment Management ²	66.4 bps	66.8 bps	73.1 bps	68.4 bps
RUTM ³	54.7 bps	55.1 bps	54.5 bps	55.9 bps

FTSE 100 Index on principal charging dates ⁴	5866	7408	(20.8)	5817	7427	(21.7)
MSCI PIMFA Private Investor Balanced Index on principal charging dates ⁴	1568	1665	(5.8)	1510	1636	(7.7)

- (1) Including income from trust and tax services, Rathbones Financial Planning and Vision Independent Financial Planning.
(2) Net operating income excluding interest on own reserves, interest payable on Tier 2 notes issued, fees from advisory and other income, divided by the average funds under management on the quarterly billing dates.
(3) Net annual management charges as a percentage of average funds under management.
(4) 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 the 9 months ended 30 September represents the average of the closing index levels at each of the principal charging dates during the year.

Funds under management and administration ('FUMA'):

	3 months ended 30 September		9 months ended 30 September		12 months ended 31 December 2019
	2020 £m	2019 £m	2020 £m	2019 £m	£m
(i) Investment Management					
Opening FUM (1 July/1 January)	41,321	42,482	42,965	38,456	38,456
Inflows	639	789	3,000	2,690	3,510
Organic new business	595	757	2,480	2,483	3,278
Acquired new business ⁵	44	32	520	207	232
Outflows	(764)	(953)	(2,343)	(2,714)	(3,861)
Market effect and investment performance	567	104	(1,859)	3,990	4,860
Closing FUMA (30 September)	41,763	42,422	41,763	42,422	42,965
Annualised rate of net organic growth	(1.6%)	(1.8%)	0.4%	(0.8%)	(1.5%)
Total annualised net organic and acquired growth	(1.2%)	(1.5%)	2.0%	(0.1%)	(0.9%)
(ii) RUTM					
Opening FUM (1 July/1 January)	8,044	6,702	7,438	5,643	5,643
Inflows	867	661	2,550	1,655	2,298
Outflows	(472)	(342)	(1,601)	(1,007)	(1,355)
Market effect and investment performance	290	6	342	736	852
Closing FUM (30 September)	8,729	7,027	8,729	7,027	7,438
Annualised rate of net organic growth	19.6%	19.0%	17.0%	15.3%	16.7%
Total FUMA (30 September)⁶	50,492	49,449	50,492	49,449	50,403

Net flows

Investment Management	(125)	(164)	657	(24)	(351)
RUTM	395	319	949	648	943
Total	270	155	1,606	624	592

Annualised rate of total net growth	2.2%	1.3%	4.2%	1.9%	1.3%
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- (5) Acquired new business is defined as corporate or team acquisitions, and new business from investment managers who are on an earn-out arrangement.
- (6) Includes Greenbank funds of £1.7 billion (31 December 2019: £1.6 billion) and funds managed with a charitable mandate of £6.1 billion (31 December 2019: £6.1 billion).

Investment Management: Service level breakdown of FUMA

	30 September 2020 £m	31 December 2019 £m	30 September 2019 £m	Change 9 months %	Change 12 months %
Direct	30,812	31,013	30,311	(0.6)	1.7
Financial Adviser linked	8,730	8,735	8,567	(0.1)	1.9
Total Discretionary	39,542	39,748	38,878	(0.5)	1.7
Non-Discretionary Investment Management	1,805	2,550	2,721	(29.2)	(33.7)
Execution Only	2,381	2,411	2,466	(1.2)	(3.5)
Gross Investment Management FUMA	43,728	44,709	44,065	(2.2)	(0.8)
Discretionary wrapped funds ⁷	(1,965)	(1,744)	(1,643)	(12.7)	(19.6)
Total Investment Management FUMA	41,763	42,965	42,422	(2.8)	(1.6)

Proportion of non-discretionary investment management to total gross FUMA	4.1%	5.7%	6.2%
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- (7) Discretionary wrapped funds represent funds operated by RUTM, managed by both Investment Management teams and RUTM fund managers.

The FTSE 100 Index closed at 5935 on 14 October 2020, an increase of 1.2% since 30 September 2020. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2020.

15 October 2020

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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