

Funds under management grow 8.5% to £33.2 billion

Rathbone Brothers Plc (“the Company”) announces a trading update for the three months ended 30 September 2016.

Philip Howell, Chief Executive of Rathbone Brothers Plc, said:

“Our total funds under management reached £33.2 billion at the end of the third quarter, up 8.5% from 30 June 2016, reflecting more favourable investment markets and continued business growth. Our Unit Trust business in particular posted strong net inflows of £170 million against a challenging industry backdrop for inflows as a whole. Our trading outlook for the full year is consistent with market expectations.

“The collapse in long term bond yields was also a key feature of the quarter, re-emphasising the need for the review of our defined benefit pension schemes we announced in July. As a result, we have begun to engage the trustees and affected employees of these schemes with a view to their closure and have today announced a placing, primarily to increase the Group’s regulatory capital and also to provide additional financial flexibility.”

Highlights:

- Total funds under management were £33.2 billion at 30 September 2016; up 8.5% from £30.6 billion at 30 June 2016, compared to an increase of 6.1% in the FTSE 100 Index and 5.2% in the FTSE WMA Balanced Index in the three months ended 30 September 2016.
- Net operating income was £65.9 million for the three months ended 30 September 2016, up 18.5% from £55.6 million in the third quarter of 2015.
- Total net organic and acquired growth of funds under management in Investment Management was £0.3 billion for the three months ended 30 September 2016 (2015: £0.4 billion). Net organic inflows were £0.2 billion (2015: £0.2 billion), representing an underlying annualised growth rate of 3.0% for the third quarter (2015: 2.5%).
- Net operating income of £59.2 million in Investment Management for the three months ended 30 September 2016 was 17.2% higher than the £50.5 million for the comparable period in 2015. The value of the FTSE 100 Index on our third quarter charging date was 6899 compared with 6062 a year ago. The FTSE WMA Balanced Index was 3915 and 3421 on the equivalent dates.
- Net interest income of £3.1 million in the third quarter was up 14.8% from £2.7 million in the same period in 2015.
- Funds under management in Unit Trusts at 30 September 2016 were £3.9 billion, up 18.2% from £3.3 billion at 30 June 2016. Net inflows for the quarter were £170 million compared to £99 million a year ago.
- The Board has completed a review of the future of its defined benefit pension schemes, and has begun the process of engagement with pension trustees and plans to consult with affected employees with a view to their closure. On an IAS 19 basis, the pension deficit as at 30 September 2016 was (£58.3) million, an increase of £26.3 million from (£32.0) million at 30 June 2016 and an increase of £53.8 million from (£4.5) million at 31 December 2015.
- Rathbones has separately announced this morning plans to raise approximately £38.0 million via a share placing with institutional investors. This placing will primarily fund the expected near-term higher capital requirement associated with the actions we are taking in relation to our defined benefit pension schemes and also provide a measure of additional financial flexibility.

Net operating income

	3 months ended 30 September			9 months ended 30 September		
	2016 £m	2015 £m	Change %	2016 £m	2015 £m	Change %
Investment Management						
- Fees	42.7	36.4	17.3	120.0	105.5	13.7
- Commissions	10.2	8.6	18.6	29.7	34.9	(14.9)
- Net interest income	3.1	2.7	14.8	8.8	8.2	7.3
- Fees from advisory services ¹ and other income	3.2	2.8	14.3	9.5	8.7	9.2
	59.2	50.5	17.2	168.0	157.3	6.8
Unit Trusts	6.7	5.1	31.4	18.1	15.1	19.9
Net operating income	65.9	55.6	18.5	186.1	172.4	7.9
Average FTSE 100 Index on principal charging dates ²	6899	6062	13.8	6498	6472	0.4
Average FTSE WMA Balanced Index on principal charging dates ²	3915	3421	14.4	3725	3561	4.6

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

(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	
	2016 £m	2015 £m	2016 £m	2015 £m
(i) Investment Management				
Opening FUM (1 July/1 January)	27,256	25,628	26,126	24,672
Inflows	708	794	2,010	2,223
Organic new business	574	538	1,650	1,689
Acquired new business	134	256	360	534
Outflows	(367)	(375)	(1,118)	(1,177)
Market adjustment	1,703	(1,205)	2,282	(876)
Closing FUM (30 September)	29,300	24,842	29,300	24,842
Underlying annualised rate of net organic growth	3.0%	2.5%	2.7%	2.8%
Annualised rate of net inflows	5.0%	6.5%	4.6%	5.7%
(ii) Unit Trusts				
Opening FUM (1 July/1 January)	3,334	2,720	3,073	2,520
Inflows	454	205	1,030	646
Outflows	(284)	(106)	(601)	(440)
Market adjustment	358	(55)	360	38
Closing FUM (30 September)	3,862	2,764	3,862	2,764
Total FUM (30 September)³	33,162	27,606	33,162	27,606
Net fund inflows				
Investment Management	341	419	892	1,046
Unit Trusts	170	99	429	206
Total	511	518	1,321	1,252

(3) Includes £1,126 million (30 September 2015: £1,024 million) of execution only funds.

The FTSE 100 Index closed at 7022 on 19 October 2016, an increase of 1.8% since 30 September 2016. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2016.

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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. This includes discretionary investment management, unit trusts, tax planning, trust and company management, pension advice and banking services.

Rathbones has over 1,000 staff in 15 UK locations and Jersey, and currently has its headquarters in Curzon Street, London.

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