

RATHBONES GROUP PLC

THIRD QUARTER TRADING UPDATE

RATHBONES GROUP PLC (“RATHBONES”) ANNOUNCES A TRADING UPDATE FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023.

PAUL STOCKTON, GROUP CHIEF EXECUTIVE OF RATHBONES, SAID:

“In September we were delighted to announce the completion of our combination with Investec Wealth and Investment UK (“IW&I”), welcoming new clients and colleagues into the Rathbones group. There is already a strong level of collaboration across the enlarged group and an ongoing dedication to keeping clients’ interests at the forefront of everything we do.

We delivered net inflows in wealth management in the quarter in spite of a market backdrop that remains challenging and higher outflows as clients use funds to repay debt or prefer to hold assets in cash for the short term. We continue to engage meaningfully with our clients, tailoring our propositions to support their needs. In accordance with consumer duty, both Rathbones and IW&I are committed to acting in the best interests of clients and we remain priced competitively in the market.

The scale that Rathbones now has positions us strongly to navigate current conditions successfully. We are confident in delivering the synergies associated with the IW&I transaction, together with our 2023 and 2024 operating margin guidance for the enlarged Rathbones group.”

GIVEN THE COMBINATION WITH IW&I COMPLETED ONLY A FEW DAYS BEFORE THE END OF THE THIRD QUARTER, THE COMMENTARY BELOW REFERS TO RATHBONES, EXCLUDING IW&I, EXCEPT WHERE OTHERWISE STATED. WE LOOK FORWARD TO PROVIDING MORE DETAIL ON THE PERFORMANCE OF THE ENLARGED GROUP IN OUR FULL YEAR RESULTS.

FINANCIAL AND BUSINESS HIGHLIGHTS:

- Total funds under management and administration (“FUMA”), including IW&I, were £100.7 billion at 30 September (30 June 2023: £60.5 billion, 31 December 2022: £60.2 billion).
 - £45.4 billion in the Investment Management business (30 June 2023: £45.4 billion, 31 December 2022: £45.1 billion).
 - £12.5 billion in the Rathbone Funds business (30 June 2023: £12.2 billion, 31 December 2022: £11.0 billion).
 - £2.0 billion in Saunderson House (30 June 2023: £2.9 billion, 31 December 2022: £4.1 billion).
 - £40.8 billion in Investec W&I.
- Discretionary and managed net inflows were £0.1 billion (Q3 2022: £0.4 billion) in the quarter to 30 September 2023, representing an annualised growth rate of 1.2% (Q3 2022: 3.3%). As we reported in our interim results, we continued to see strong levels of gross inflows (£1.2 billion in the quarter) albeit that these were largely offset by a continued trend in elevated outflows that reflect current conditions.
- Investment performance in our discretionary bespoke service lagged the MSCI PIMFA balanced index in the quarter (-0.8% compared with +0.6%). Year to date group performance remains positive, benefitting in particular from the strong performance in our global opportunities and ethical bond funds.
- Underlying net operating income was £120.4 million for the three months ended 30 September 2023, an increase of 6.5% from the £113.0 million for the three months ended 30 September 2022.
 - Fee income and commission in Investment Management totalled £78.5 million (Q3 2022: £79.6 million).
 - Net interest income increased to £13.3 million from £5.6 million in Q3 2022 and we continue to pay competitive rates to our clients.
 - Fees from advisory services and other income reduced to £11.0 million (Q3 2022: £12.4 million) reflecting the expected reduced time-based charges during the Saunderson House transition, offset by continuing growth in Vision and Rathbone Financial Planning revenues. The migration of clients and FUMA from Saunderson House is progressing well, with c.£1.8 billion of FUMA transferred in the year to 30 September 2023. We continue to expect the migration to be completed by the end of the first quarter of 2024, achieving an incremental revenue margin of c.55bps across the group.

- Fee income in our funds business totalled £17.6 million (Q3 2022: £15.4 million) reflecting strong inflows of £934 million from the Saunderson House migration.
- We continue to expect to launch the first phase of our Client Lifecycle Management (CLM) system in the first quarter of 2024, with further phases expected to be made throughout the remainder of that year. Total expected operating expenses of our digital programme have increased by £5 million to £45 million, of which around £15 million will be incurred in 2024.

FULL YEAR RESULTS 2023

Results for the 12 months to 31 December 2023 will be announced on 6 March 2024.

DETAILED FINANCIAL INFORMATION

NET OPERATING INCOME

	3 months ended 30 September			9 months ended 30 September		
	2023 (£m)	2022 (£m)	Change (%)	2023 (£m)	2022 (£m)	Change (%)
Investment Management						
- Fees	69.0	67.5	2.2	207.8	206.9	0.4
- Commissions	9.5	12.1	(21.5)	33.2	39.0	(14.9)
- Net interest income	13.3	5.6	137.5	35.6	11.6	206.9
- Fees from advisory services ¹ & other income	11.0	12.4	(11.3)	32.0	40.3	(20.6)
	102.8	97.6	5.3	308.6	297.8	3.6
Rathbone Funds	17.6	15.4	14.3	49.8	47.1	5.7
Net operating income	120.4	113.0	6.5	358.4	344.9	3.9
MSCI PIMFA Private Investor Balanced Index on principal charging dates ²	1,703	1,606	6.0	1,699	1,692	0.4

1. Including income from trust, tax, financial planning services, Vision Independent Financial Planning and Saunderson House.

2. The principal charging dates for Investment Management clients are 5 April, 30 June, 30 September and 31 December. Rathbone Funds income accrues on daily levels of funds under management.

FUNDS UNDER MANAGEMENT AND ADMINISTRATION

(I) BREAKDOWN OF FUMA AND FLOWS BY SERVICE LEVEL

Q3 ended 30 September 2023	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Service Level Transfers ³ (£m)	SHL Migrated Assets (£m)	Market & investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Discretionary service	45,302	976	(926)	50	(73)	839	(413)	45,705	
Bespoke portfolios	42,711	883	(866)	17	(138)	441	(401)	42,630	0.2
Managed via in-house funds	2,591	93	(60)	33	65	398	(12)	3,075	5.1
Multi-asset funds	2,278	216	(129)	87	-	-	(20)	2,345	15.3
Total discretionary & managed	47,580	1,192	(1,055)	137	(73)	839	(433)	48,050	1.2
Non-discretionary service	743	11	(27)	(16)	(1)	-	6	732	(8.6)
Total wealth management	48,323	1,203	(1,082)	121	(74)	839	(427)	48,782	1.0
Single-strategy funds	6,520	271	(442)	(171)	-	-	(36)	6,313	(10.5)
Execution only & banking	2,555	92	(141)	(49)	74	2	12	2,594	(7.7)
Group (pre acquisitions)	57,398	1,566	(1,665)	(99)	-	841	(451)	57,689	(0.7)
Saunderson House ⁵	3,135	25	(163)	(138)	-	(841)	55	2,211	(17.6)
Total group (pre acquisitions)	60,533	1,591	(1,828)	(237)	-	-	(396)	59,900	(1.6)
Investec W&I	-	-	-	-	-	-	-	40,781	-
Total for enlarged group	-	-	-	-	-	-	-	100,681	-

9 months ended 30 September 2023	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Service Level Transfers ⁵ (£m)	SHL Migrated Assets (£m)	Market & investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Discretionary service	44,322	3,057	(2,943)	114	(273)	1,761	(219)	45,705	
Bespoke portfolios	42,894	2,754	(2,777)	(23)	(853)	827	(215)	42,630	(0.1)
Managed via in-house funds	1,428	303	(166)	137	580	934	(4)	3,075	12.8
Multi-asset funds	2,159	616	(431)	185	-	-	1	2,345	11.4
Total discretionary & managed	46,481	3,673	(3,374)	299	(273)	1,761	(218)	48,050	0.9
Non-discretionary service	757	29	(53)	(24)	(13)	2	10	732	(4.2)
Total wealth management	47,238	3,702	(3,427)	275	(286)	1,763	(208)	48,782	0.8
Single-strategy funds	6,474	976	(1,426)	(450)	-	-	289	6,313	(9.3)
Execution only & banking	2,404	240	(377)	(137)	286	-	41	2,594	(7.6)
Group (pre acquisitions)	56,116	4,918	(5,230)	(312)	-	1,763	122	57,689	(0.7)
Saunderson House ⁵	4,117	103	(397)	(294)	-	(1,763)	151	2,211	(9.5)
Total group (pre acquisitions)	60,233	5,021	(5,627)	(606)	-	-	273	59,900	(1.3)
Investec W&I	-	-	-	-	-	-	-	40,781	-
Total for enlarged group	-	-	-	-	-	-	-	100,681	-

(II) BREAKDOWN OF RATHBONES INVESTMENT MANAGEMENT FUMA AND FLOWS BY CHANNEL

Q3 ended 30 September 2023	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Service Level Transfers ⁵ (£m)	SHL Migrated Assets (£m)	Market & investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Total direct	33,333	605	(676)	(71)	(30)	-	(284)	32,948	(0.9)
Total financial adviser linked	11,969	371	(250)	121	(43)	839	(129)	12,757	4.0
Total discretionary service	45,302	976	(926)	50	(73)	839	(413)	45,705	0.4
Execution only & banking	2,555	92	(141)	(49)	74	2	12	2,594	(7.7)
Non-discretionary service	743	11	(27)	(16)	(1)	-	6	732	(8.6)
Total Investment Management	48,600	1,079	(1,094)	(15)	-	841	(395)	49,031	(0.1)
Investec W&I	-	-	-	-	-	-	-	40,781	-
Total Investment Management for enlarged group	-	-	-	-	-	-	-	89,812	-

9 months ended 30 September 2023	Opening FUMA (£m)	Gross Inflows (£m)	Gross Outflows (£m)	Net Flows (£m)	Service Level Transfers ⁵ (£m)	SHL Migrated Assets (£m)	Market & investment Performance (£m)	Closing FUMA (£m)	Ann Net Growth ⁴ (%)
Total direct	33,639	1,962	(2,232)	(270)	(226)	-	(195)	32,948	(1.1)
Total financial adviser linked	10,683	1,095	(711)	384	(47)	1,761	(24)	12,757	4.8
Total discretionary service	44,322	3,057	(2,943)	114	(273)	1,761	(219)	45,705	0.3
Execution only & banking	2,404	240	(377)	(137)	286	-	41	2,594	(7.6)
Non-discretionary service	757	29	(53)	(24)	(13)	2	10	732	(4.2)
Total Investment Management	47,483	3,326	(3,373)	(47)	-	1,763	(168)	49,031	(0.1)
Investec W&I	-	-	-	-	-	-	-	40,781	-
Total Investment Management for enlarged group	-	-	-	-	-	-	-	89,812	-

3. Service Level Transfers represent client FUMA which has transferred from one service to another within the group during the period.
4. Annualised net growth in flows calculated as net flows/opening FUMA.
5. Total funds under advice by Saunderson House, including those clients transferred to fellow group companies totalled £4.11 billion at 30 September 2023 (30 September 2022: £4.15 billion).

(III) TOTAL GROUP FUMA

	At 30 September			At 30 June	
	2023 £m	2022 £m	Change %	2023 £m	Change %
Rathbones Investment Management Gross FUMA	49,031	45,557	7.6	48,600	0.9
Of which: invested in Rathbones Funds discretionary wrapped funds ⁶	(3,631)	(2,403)	51.1	(3,169)	14.5
Rathbone Funds	12,547	10,624	18.1	12,165	3.1
Saunderson House	2,211	4,151	(46.7)	3,135	(29.5)
Of which: invested in Rathbones Funds discretionary wrapped funds ⁷	(246)	-	-	(198)	24.2
Total Group FUMA	59,912	57,929	3.4	60,533	(1.0)
Investec W&I	40,781	-	-	-	-
Of which: invested in Rathbones Funds discretionary wrapped funds ⁸	(12)	-	-	-	-
Total Group FUMA for enlarged group	100,681	-	-	-	-

6. Discretionary wrapped funds represent funds operated by Rathbone Funds, managed by both Rathbone Investment Management teams and Rathbone Funds managers.

7. Discretionary wrapped funds represent funds operated by Rathbone Funds, managed by both Saunderson House teams and Rathbone Funds managers.

8. Discretionary wrapped funds represent funds operated by Rathbone Funds, managed by both Investec W&I teams and Rathbone Funds managers.

The MSCI PIMFA Private Investor Balanced Index closed at 1,711 on 17 October 2023, an increase of 0.5% since 30 September 2023. Investment Management fee income in the fourth quarter is dependent upon the value of funds under management at 31 December 2023.

19 October 2023

FOR FURTHER INFORMATION CONTACT:

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RATHBONES GROUP 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 for everyone's tomorrow has been with us from the beginning and continues to lead us forward.

Rathbones has over 3,300 employees in 23 locations across the UK and Channel Islands; its headquarters is 8 Finsbury Circus, London, EC2M 7AZ.

www.rathbones.com