

Rathbone Brothers Plc

Rathbones strategic update 2019

Thinking, acting and investing responsibly

October 2019

Rathbones
Look forward



Speakers



Paul Stockton
Chief Executive



Jennifer Mathias
Group Finance Director



Mike Webb
*CEO of Rathbone Unit Trust
Management*



Rupert Baron
General Manager



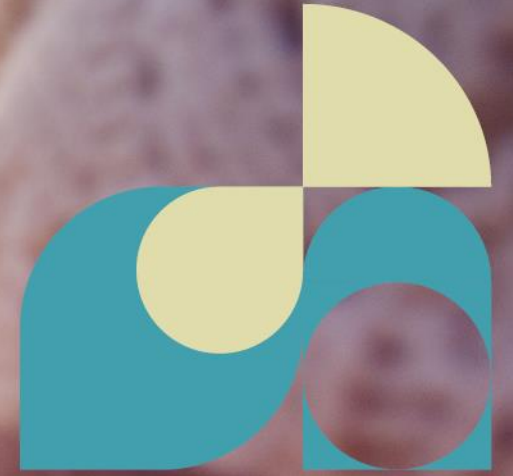
Ivo Darnley
General Manager



Ian Dembinski
Head of Client Development

Agenda

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- 1.** Our present
 - market background
 - Rathbones' position
 - 2.** Our future
 - ambition and purpose
 - six strategic priorities
 - 3.** Balancing productivity and investment
 - 4.** Moving forward
 - 5.** Q&A
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Our present

Rathbones
Look forward

Our target market is large and continues to grow

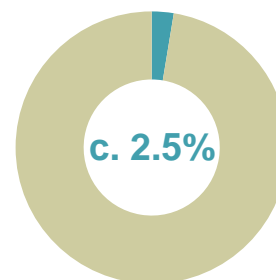
£1.7tn and secular growth opportunities remain

Several business models

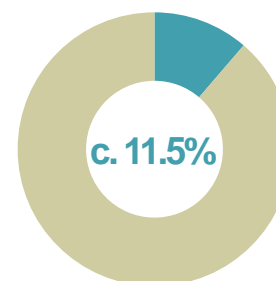
- the market is fragmented with different business models
- these business models have been dictated to by the origins of the business
- Rathbones model of personalised investment management puts clients at heart of journeys

Fragmented market

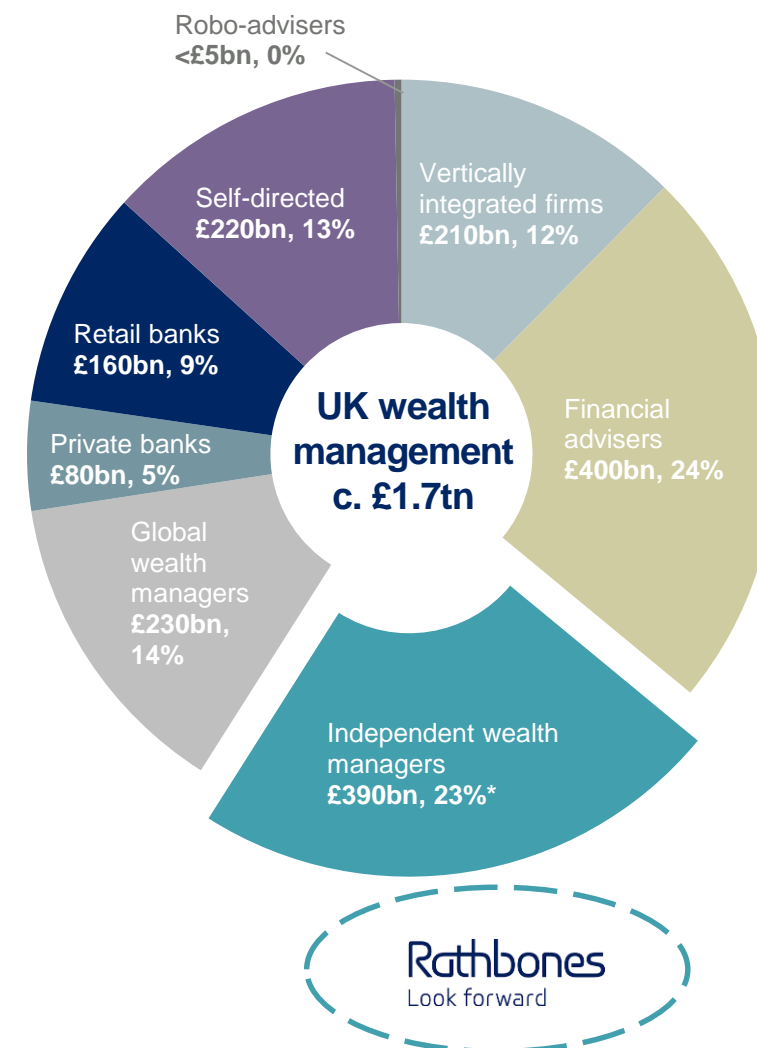
- to be in the top 15, firms must be managing in excess of £20bn
- a top 40 firm needs to manage in excess of £6bn
- after top 40, there are still over 100 investment firms



of the UK wealth management market



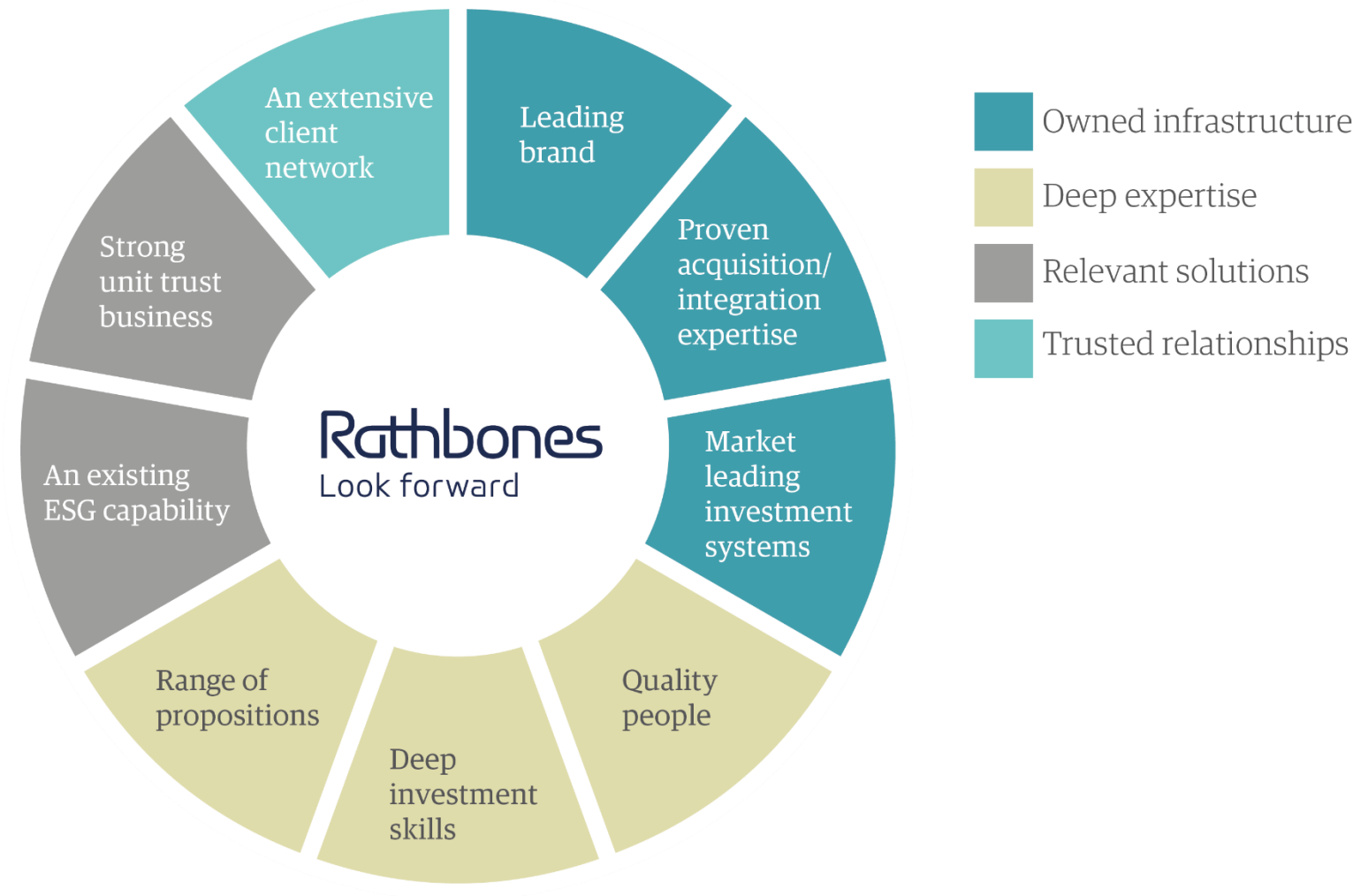
of the independent wealth managers



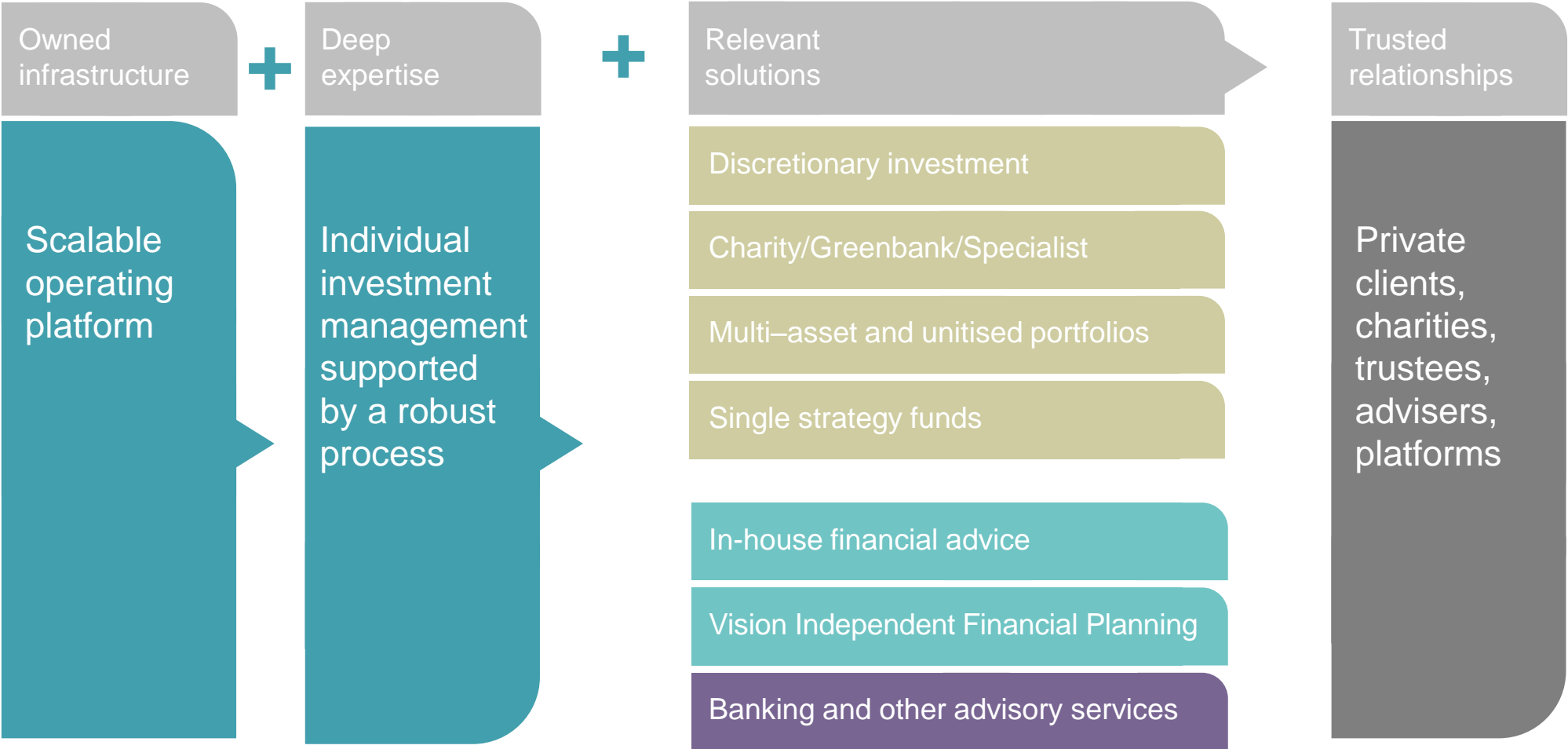
Sources: Oliver Wyman data

* IWM contains c. £160bn of assets that are intermediated through a financial adviser

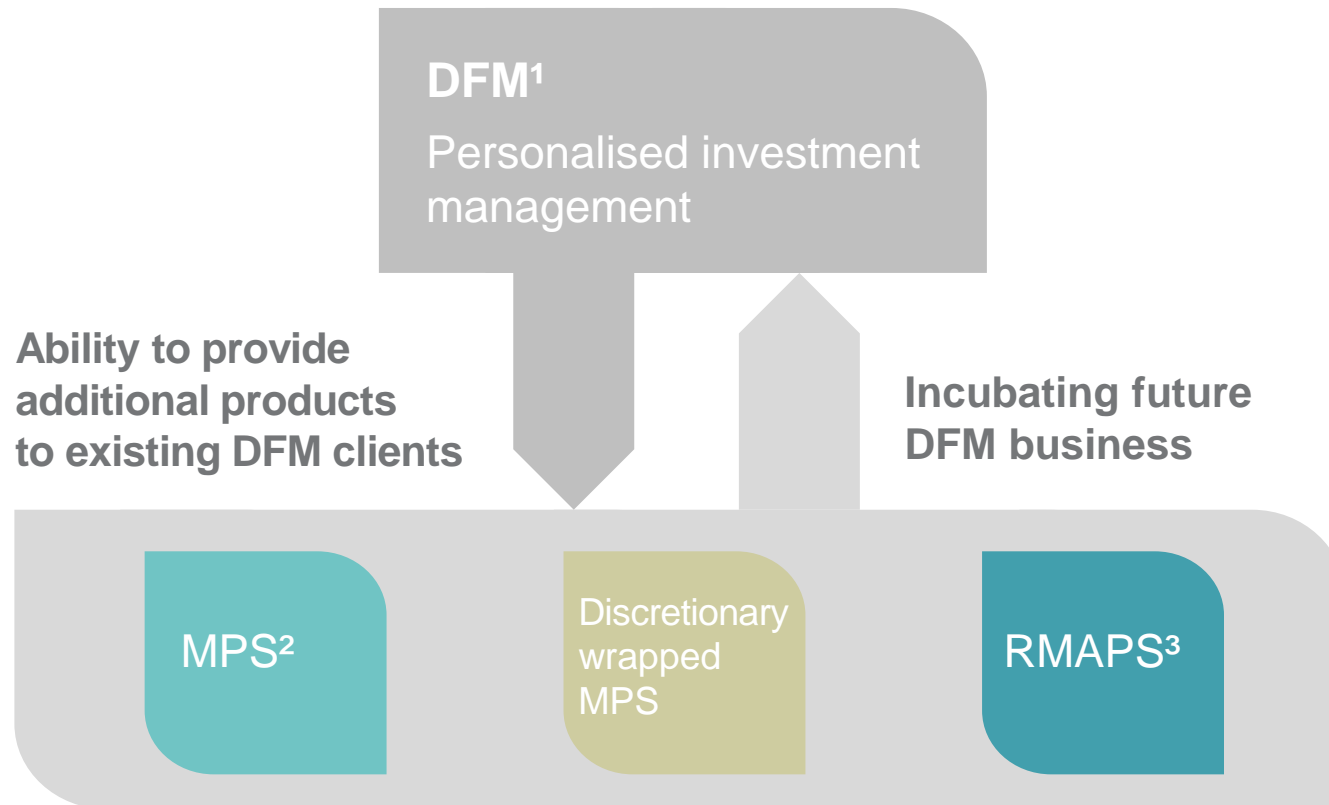
Rathbones has the platform to succeed...



...with a robust business model...



...and product offerings suitable for the clients of today and tomorrow



- ✓ A product range that is suitable for clients, financial advisers and intermediaries
- ✓ Provides a cost effective solution for wealth management services for small and growing portfolios
- ✓ Ability to adapt to evolving client needs

¹ Discretionary fund management

² Managed Portfolio Service

³ Rathbone Multi-Asset Portfolio Service

We recognise that client expectations are changing

What clients want

- value for money
- transparency
- digitally-enabled service
- the importance of values and social responsibility
- responding to a diverse society

What this means

- quality service and competitive investment outcomes
- clear fee-based pricing
- seamless omnichannel communication
- a range of targeted services and solutions
- an employee profile that reflects this mix



Our future

Rathbones
Look forward

Taking responsibility is critical to building on a powerful brand

Our purpose

We see it as our responsibility to invest for everyone's tomorrow. That means doing the right thing for our clients and for others too. Keeping the future in mind when we make decisions today. Looking beyond the short-term for the most sustainable outcome. This is how we build enduring value for our clients, make a wider contribution to society and create a lasting legacy.

Our principles

Responsible and entrepreneurial
in creating value

Courageous and resilient
in leading change

Collaborative and empathetic
in dealing with people

Professional and high performing
in all our actions

“Thinking, acting
and investing
responsibly”

Our ambition: a strong reputation, a strong proposition

Our ambition is to be recognised as the UK's most responsible wealth manager

Growing, preserving and transferring wealth for private clients and their professional advisers

Institutional-quality investments:
whole of market

Relationship-led:
tailored, flexible

Multi-generational:
for clients of today and tomorrow

Partnership: working with others to deliver the best client outcomes

Other advice-based solutions,
when clients need them

Our strategic priorities



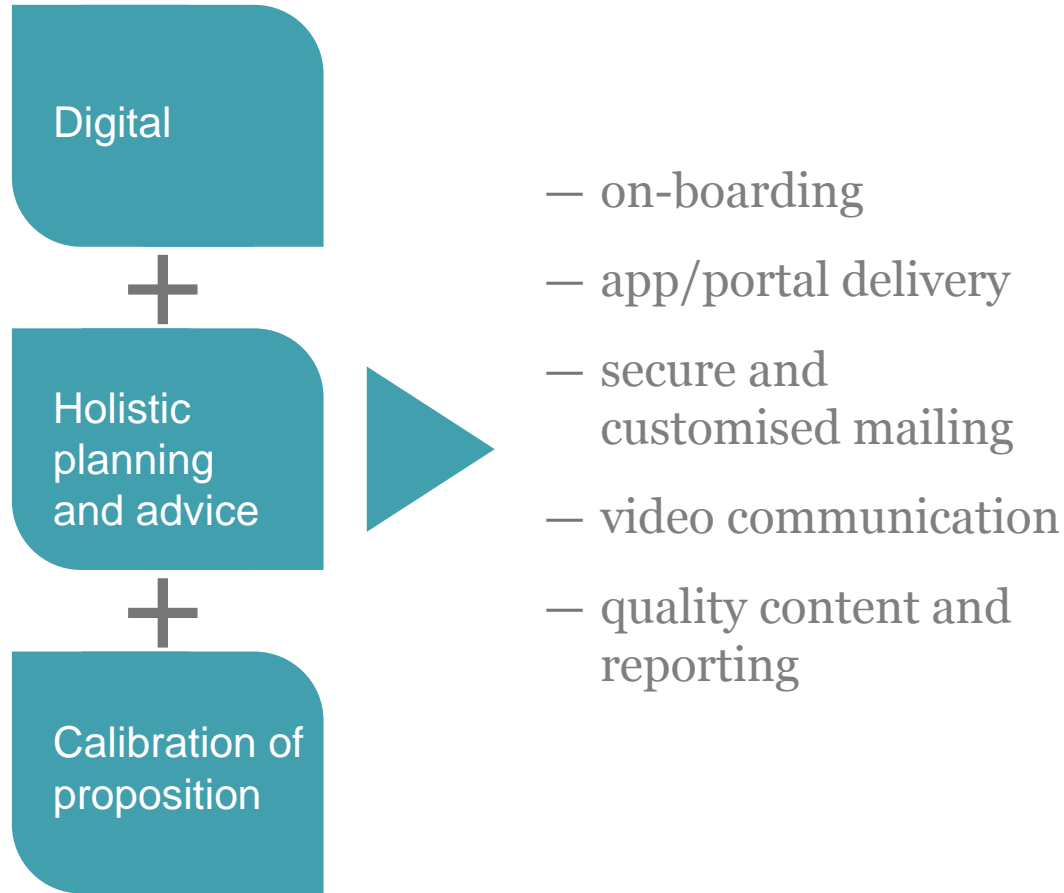
1. Enhancing valued services

Overview

- enhancing the experience for private clients
- a dedicated service for financial advisers



Enhancing the client experience



2/3

Of the decisions customers make are informed by the quality of the client journey

McKinsey

c.46,000*

Registered portal users

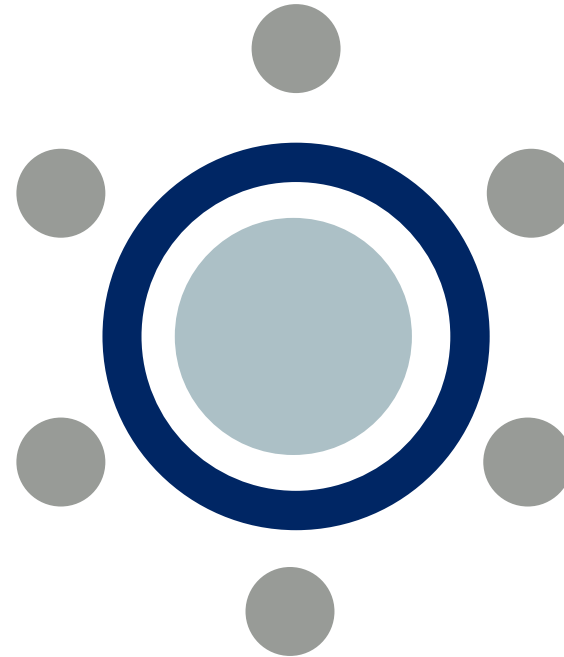
c.5,000*

Active (monthly) users

* As at 30 September 2019

Financial advisers: a dedicated service and our differentiated marketing approach

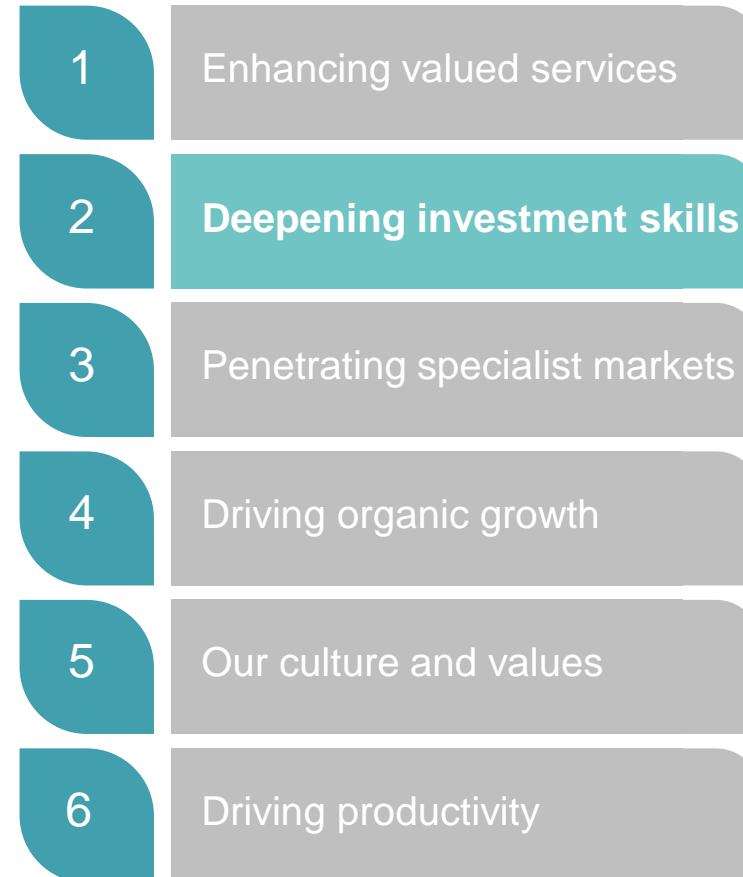
- a tailored digital journey
- clear responsibilities
- a quality service
- structured investment solutions
 - our LED approach



2. Deepening investment skills

Overview

- fostering our investment culture
- broadening capability and coverage
- investing responsibly



Fostering our investment culture

58

Participants on investment mentoring scheme

74

Investment managers on investment committees

>1,000

Companies visit our offices each year



Broadening capability and coverage

33

Strong research department

65%

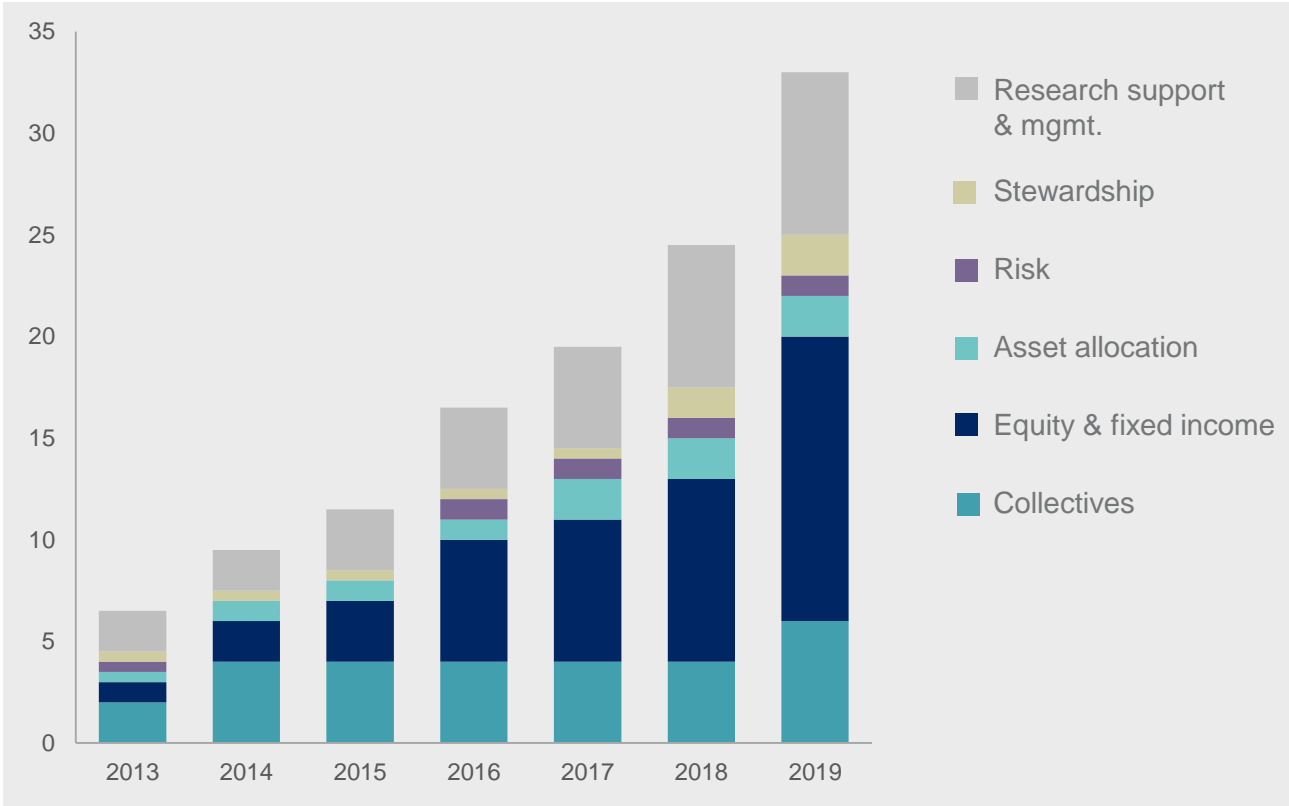
Possess >10 years investment experience

>7,000

Proprietary research reports available for investment managers

Supported by strong risk management tools and systems

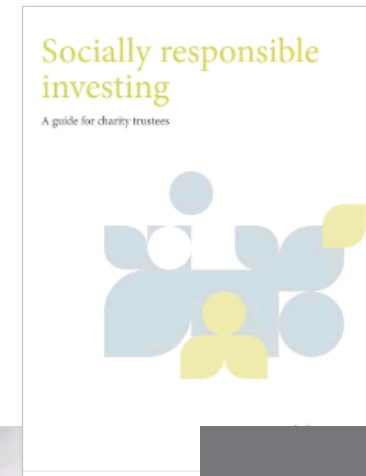
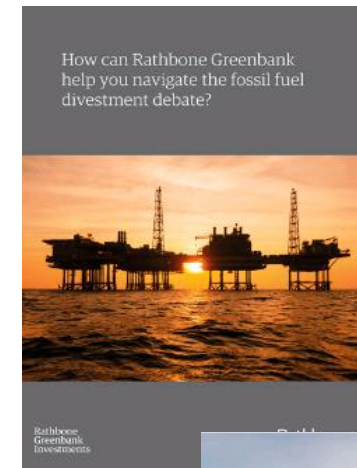
Research team growth



Investing responsibly

- investment returns of tomorrow are linked to investment decisions of today
- stewardship and engagement have always been intrinsic to our approach
- responsible investment policy will broaden this
- ESG* analysis and data to inform research process and investment manager decisions
- focus on analysis of material factors and engagement
- continually evolving process

* Environmental, social and governance



3. Penetrating specialist markets

Overview

- the importance of specialisms
- building on existing capabilities
- capitalising on Greenbank



Where we specialise, we succeed

Charities – targeting a top–three position

- ensuring value for money
- establish an overseas research capability
- growing investment consultants relationships

Growing additional specialisms

- international, court of protection, SEC*, specialist tax portfolios

Greenbank – a priority area for investment



* Securities and Exchange Commission

Capitalising on the Rathbone Greenbank opportunity

Building on a strong reputation

- at the forefront of ethical, sustainable and impact wealth industry trends
- a differentiated offering
- business development support

Expanding the proposition

- Greenbank solution for lower value clients
- broaden product range

Supporting the wider business

- expand Greenbank team to key offices
- leverage expertise across the group

20+

years in the market already

81%

of HNWI¹ are interested in investing their money ethically²

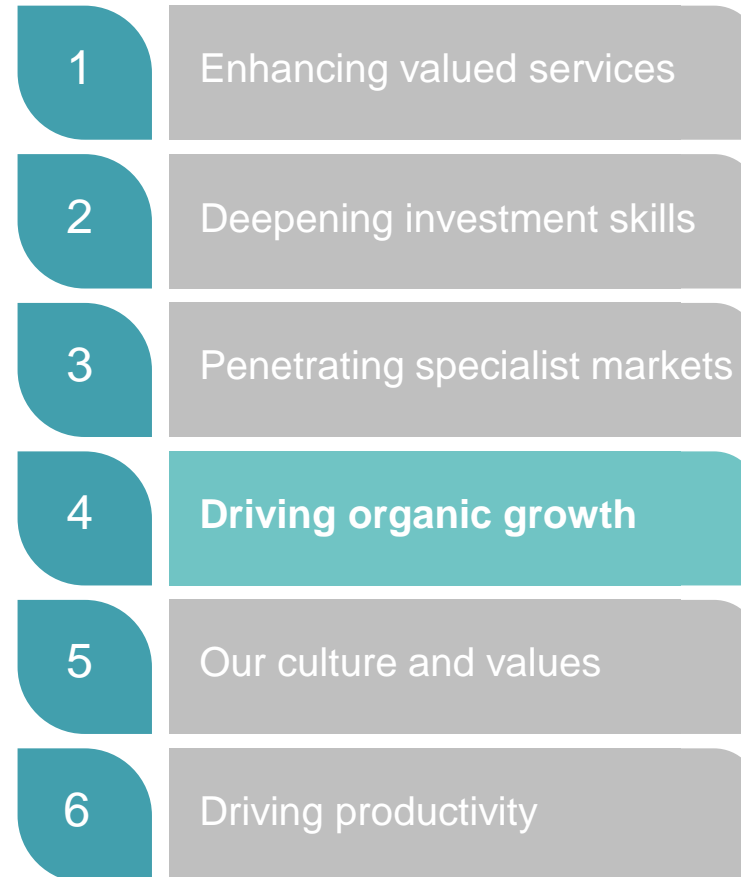
¹ High net worth individuals

² Research conducted by Censuswide research, involving a survey of 504 High Net Worth Individuals with £250,000 of investable assets. Fieldwork conducted in September 2019

4. Driving organic growth

Overview

- managing client facing capacity
- structuring distribution
 - a new focus on client development
 - leveraging our dedicated financial adviser salesforce
- driving growth through financial planning
- building our funds business



Managing client-facing capacity

Investment manager development stage

Capacity considerations

Newly
qualified

- limited capacity to grow
- need to build relationships

Fully qualified,
low FUM

- high capacity to grow
- beginning to establish network

Fully qualified
and experienced

- individual capacity to grow is more limited
- well-established client network

Planning for
succession

- limited capacity to grow
- planning for client continuity

Building our investment graduate academy

- introduce formal graduate programme to create future talent
- offer attractive package to source quality individuals
- build industry knowledge, skills and hands-on experience over two years, then moving into primary role
- clear paths for career progression



Unlocking growth: Select Portfolio Service

Using in-house multi-asset funds

- execution only
- direct link into multi-asset funds
- a better client outcome
- maintains the client relationship

c.30% of clients

less than £150,000

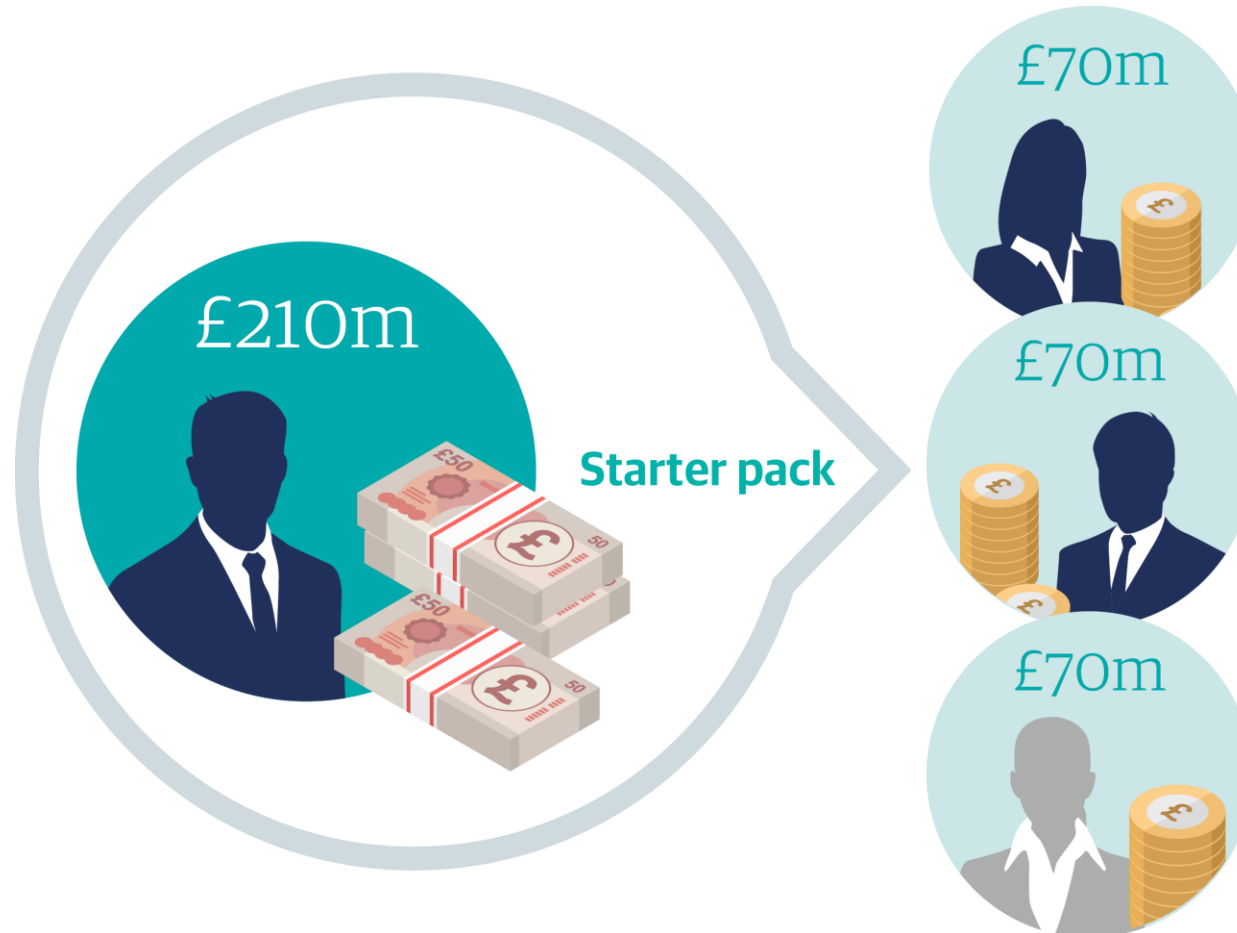
2.5%

of FUM

4.5%

of income

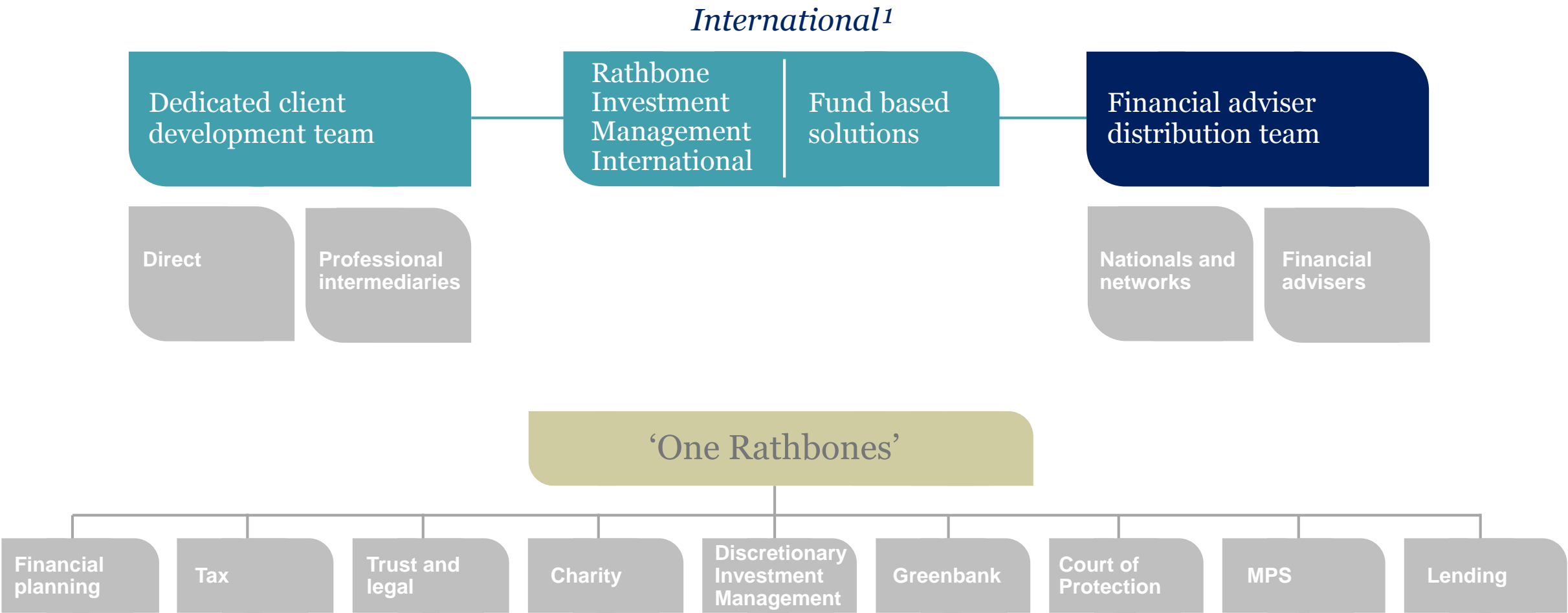
Addressing investment management team succession: the solution



What good investment teams look like



We are well organised for growth



¹ Creation of International working group to coordinate international business development teams

A renewed focus on client development



New business development: an example of great teamwork

1 Rathbones sponsors external entrepreneurial events in 2018

2 Specialist adviser sells business for client netting £14.4m

3 Specialist refers business to Rathbones

6 Investment in discretionary mandate for £9.6 million

5 Initial Rathbone Financial Planning fact find and recommendations

4 Founder and colleagues attend bespoke financial awareness course

Driving growth through in-house financial planning

Driving growth and retention

- existing clients – reassurance and retention
- new clients – entry point into wealth management
- business development support

More attractive proposition

- full wealth assessment service or targeted advice
- transparent charging structure
- targeting >£1m investible wealth
- a more integrated client journey

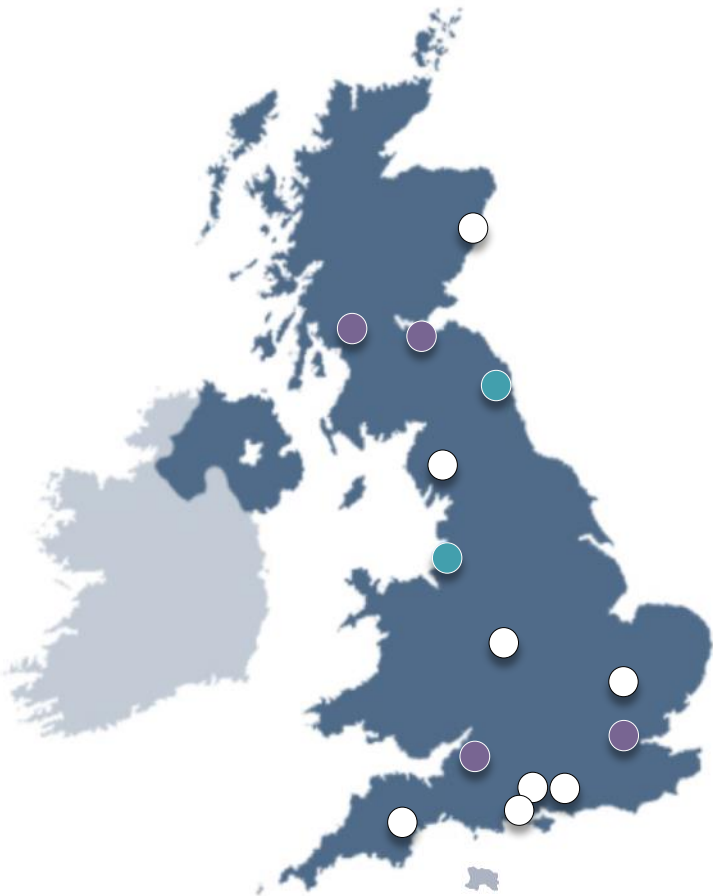
Extending the footprint

- increasing adviser numbers through selective hires and developing our own
- planner in every larger office



Building an in-house financial planning footprint

Rathbones today

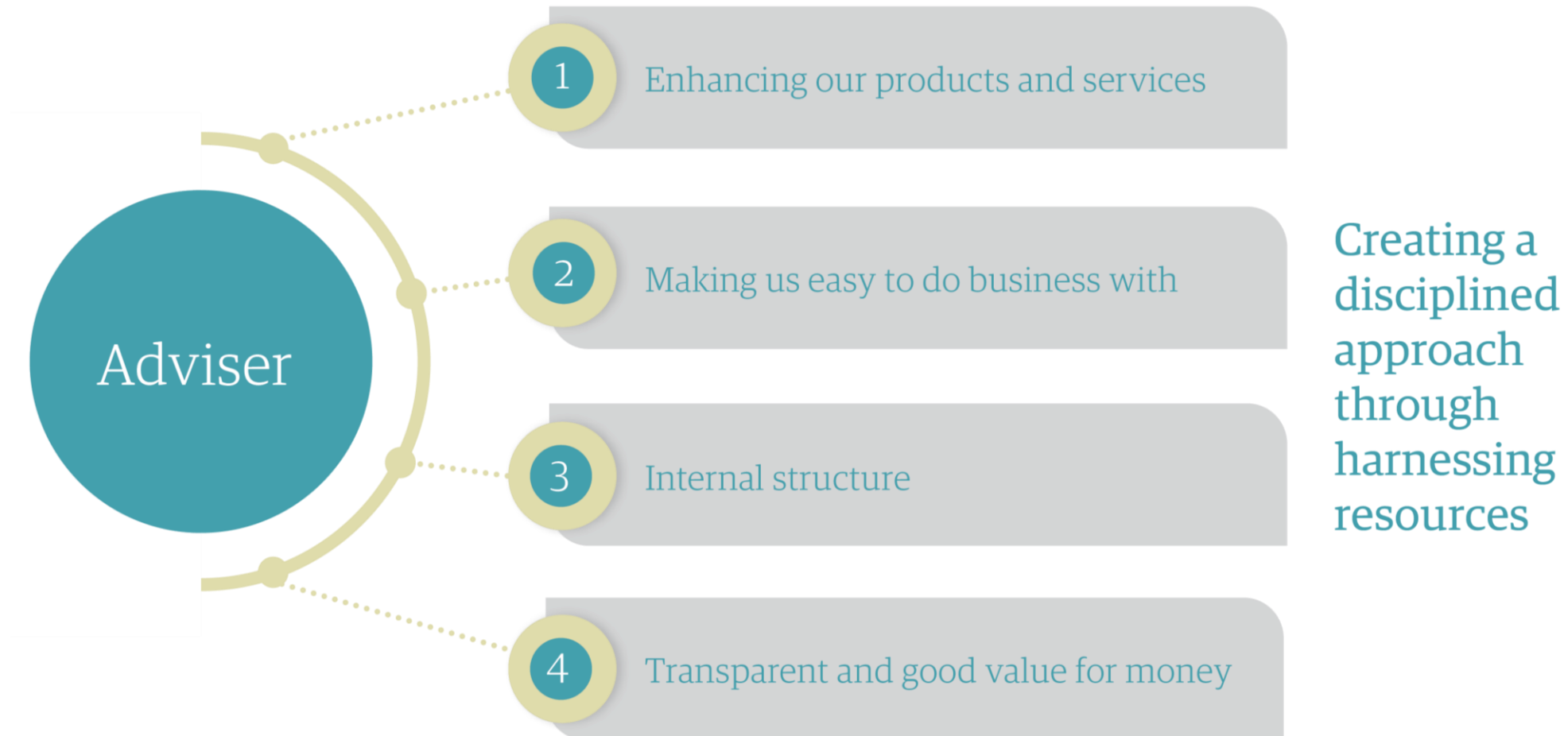


Rathbones in five years' time

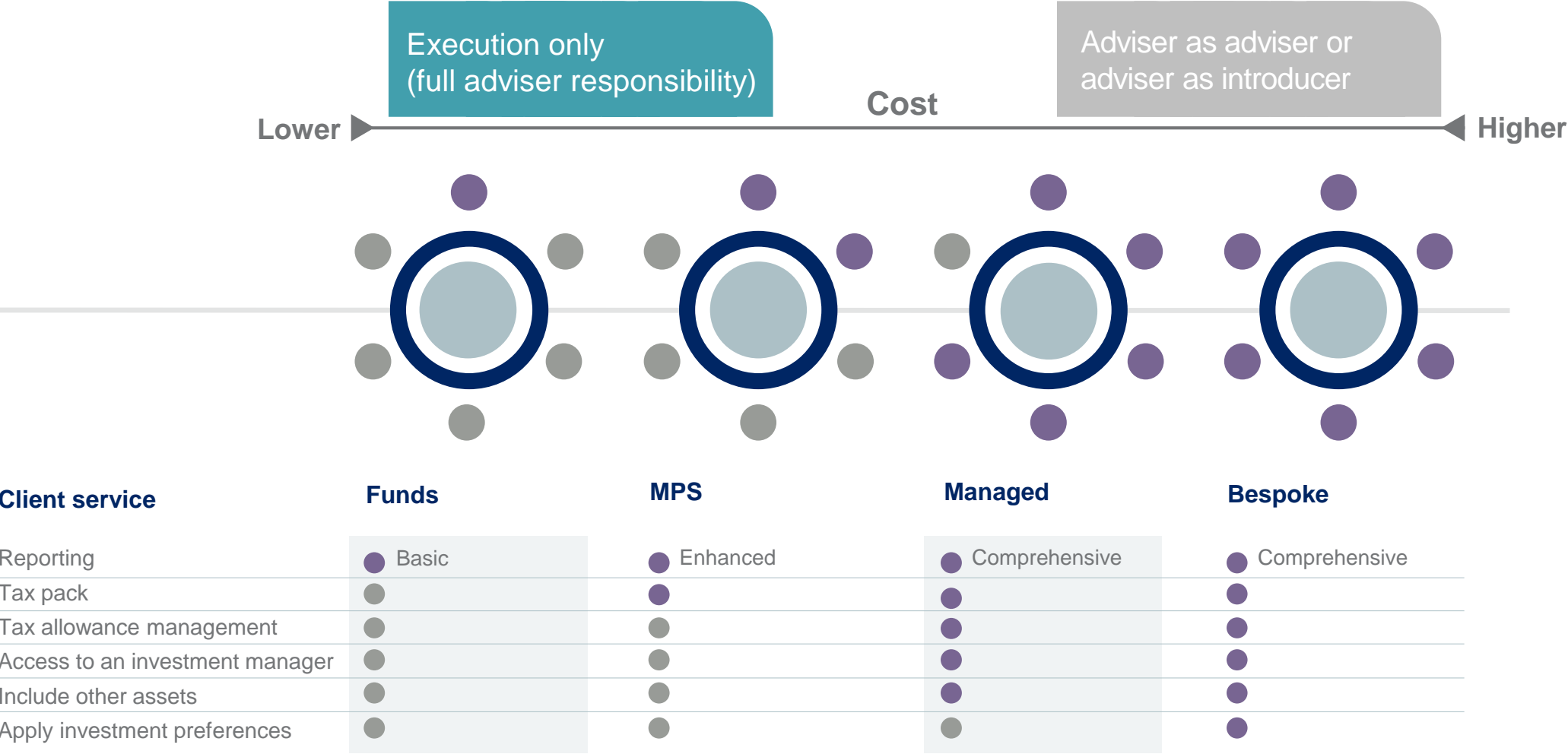


-  Growing support
-  Established support
-  Supported from other location

Driving growth through external financial advisers



There’s an LED solution for every client



Vision Independent Financial Planning

- retaining independence
- continued growth in advisers
- widening regional footprint
- strong collaboration across Rathbone offices and Rathbone Financial Planning



Rathbone Funds: a growth engine

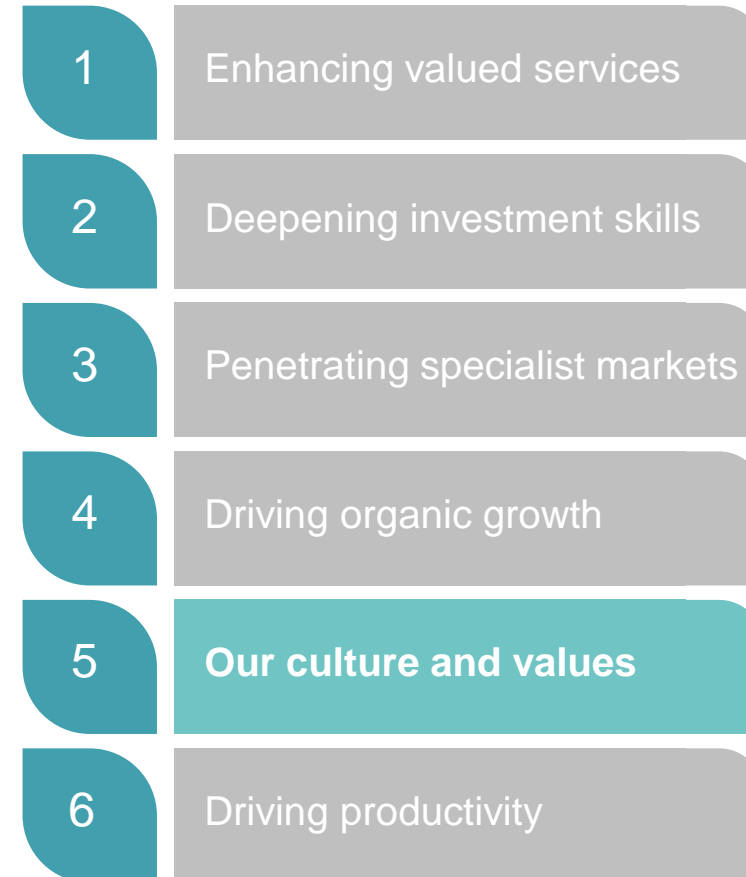
- build on the four franchise strengths
 - product development
 - incubation
 - enhance ESG market segments
 - support the broader business
- build our international business based on Brexit infrastructure
- maintain and invest in our talent
- invest in portfolio management systems



5. Our culture and values

Overview

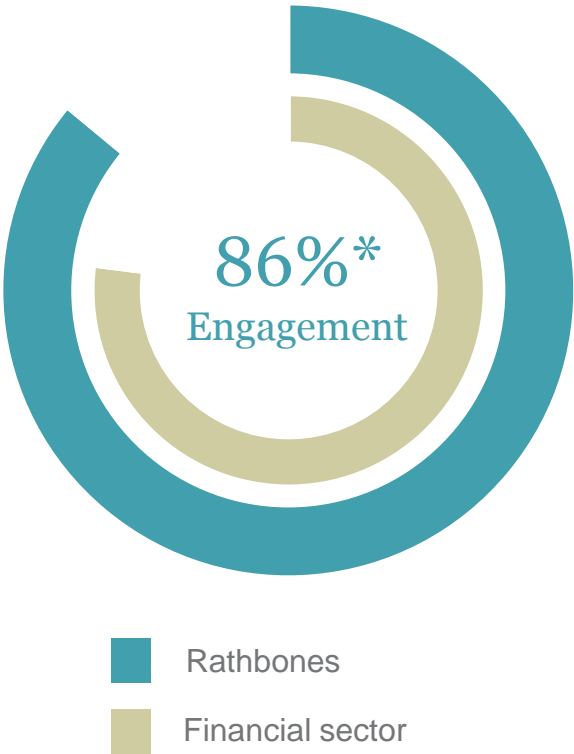
- what matters to employees
- how our strategy will address this



What matters to our people



Overall engagement



* Source: Rathbones, June 2019

How our strategy will address this



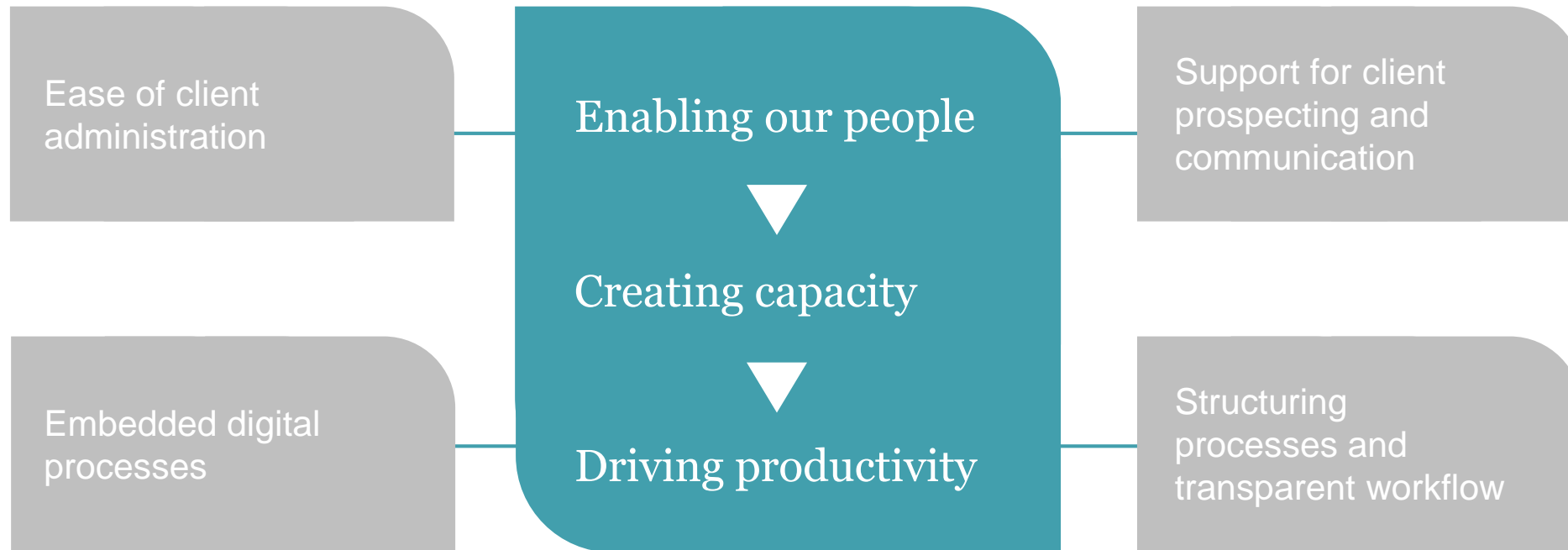
6. Driving productivity

Overview

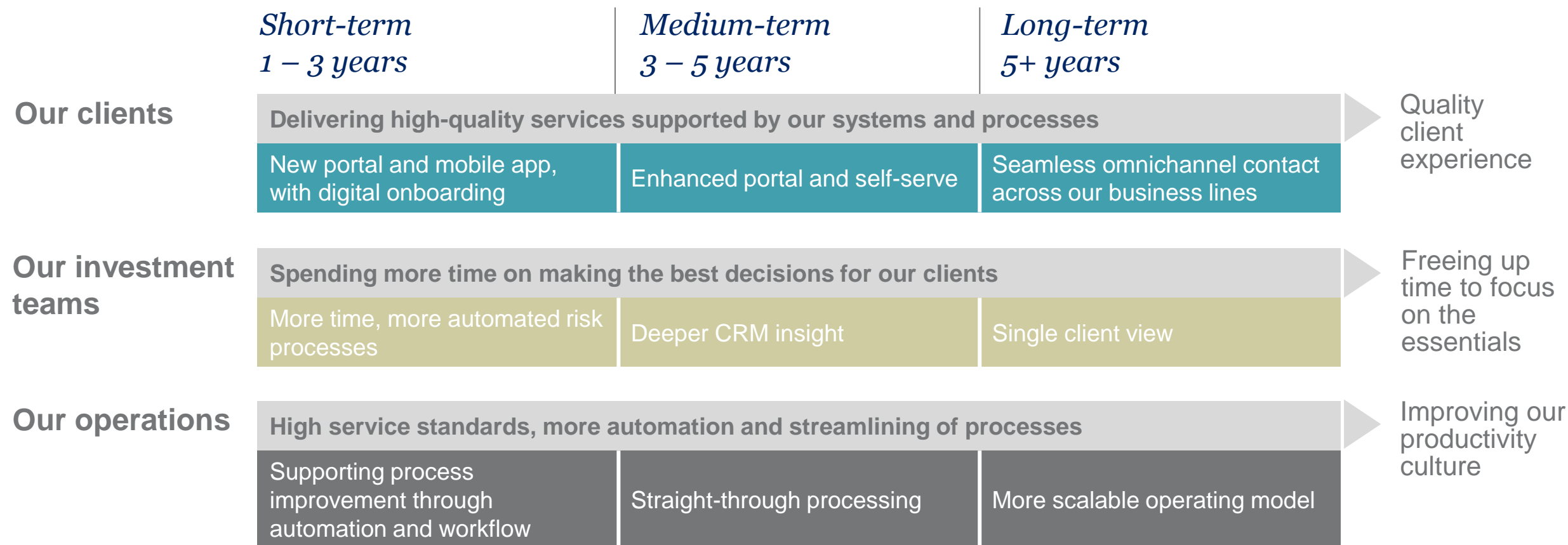
- a quality client experience
- making us easy to do business with



Creating capacity for a quality client experience



Creating capacity and making us easy to do business with



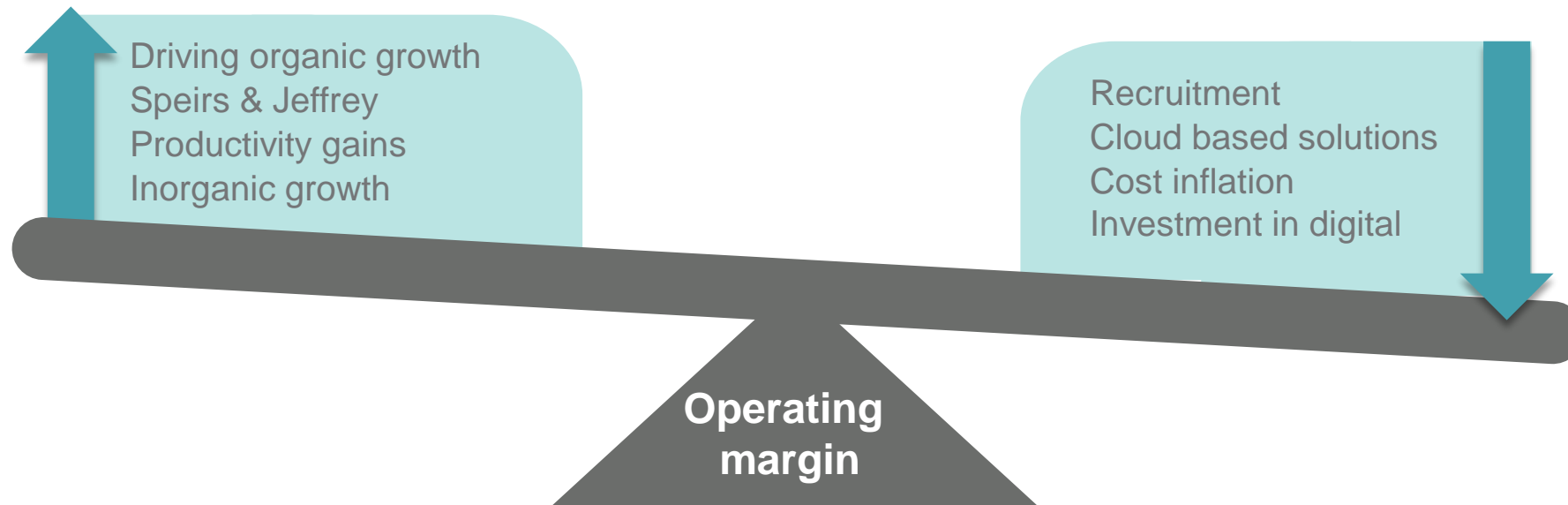


Balancing productivity with investment

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Look forward

Balancing productivity with investment for long-term growth

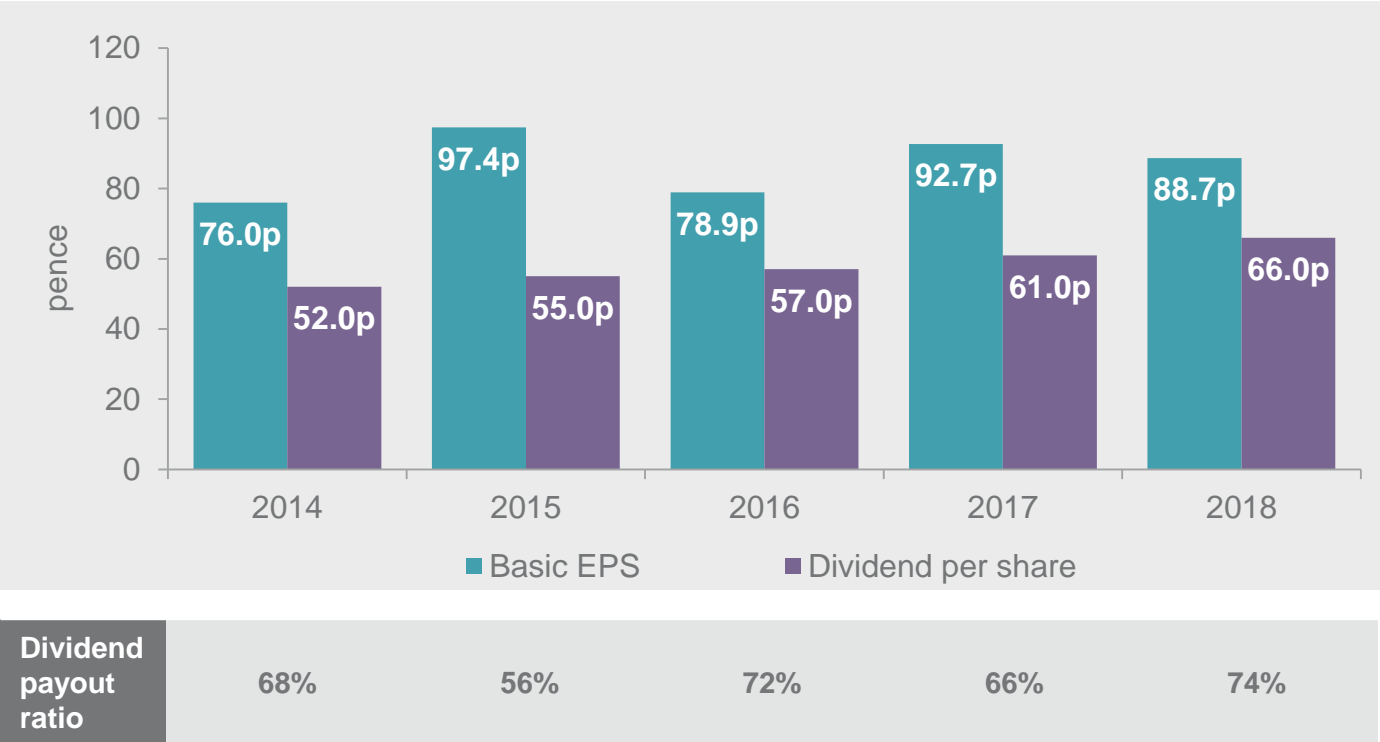
Market/macro



- period of investment over next 2-3 years
- closer to mid-twenties underlying operating profit margin during this time
- exploit long-term growth opportunities, improve client services and deliver productivity

Capital and dividends

- robust capital position
- Pillar 2B buffer
- closed pension scheme
- progressive dividend policy



The inorganic opportunity

Strong track record

2018: Speirs & Jeffrey FUM **£6.7bn**

2015: Vision FUA **£925m**

2014: Jupiter FUM **£1.9bn**

2014: Tilney London FUM **£617m**

- consolidating market
- regional opportunities
- specialist capabilities
- focus on cultural fit





Moving forward

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Delivering on our strategy



“Thinking, acting and investing responsibly”



Q&A