

# Half year results

for the six months ended 31 December 2020

Record FUM, margin over 25%  
Entering the next phase of the strategy

11 March 2021



BROOKS MACDONALD

# Speakers



Caroline Connellan  
CEO



Ben Thorpe  
Group Finance Director

# Agenda

- 1 Context and introduction
- 2 Financial results
- 3 H1 achievements and outlook
- 4 Q&A
- 5 Appendices



# Caroline Connellan

- 1 Context and introduction**
- 2 Financial results
- 3 H1 achievements and outlook



## Record financial performance and continued strategic momentum...

- Delivered for clients and intermediaries throughout the pandemic
- Strong investment performance in volatile markets
- Record FUM, record profit margin
- Dividend up 9.5%
- Entering the next phase of our strategy

## ... grounded in our purpose of realising ambitions and securing futures

### Delivering for clients and intermediaries

- Proposals and pipeline strengthening – November strongest month of 2020
- Specialist BPS approaching £1bn, up over 30% in H1
- 10% of UKIM inflows from new or reactivated IFA relationships
- Growing BM Investment Solutions – deals signed, pipeline building
- Over 1,300 views of our “Connected” adviser webinar series
- Strong investment performance in volatile markets – 9.5% vs. MSCI PIMFA benchmark of 6.5%
- Ahead of ARC benchmarks for all risk profiles over 3, 5 and 10 years

### Investing in our people

- Continued focus on wellbeing through “Protect to Thrive”
- “Speak Up” survey engagement score increasingly good – latest survey 14 points up on first one in 2019, 2 points up on May 2020
- Ongoing investment in new joiners in client-facing roles
- Powerful blend of BM experience and new hires bringing fresh ideas and relationships
- Planning return to office incorporating greater flexibility
- Focusing on diversity in BM and the sector, supporting initiatives such as Investment2020 apprenticeships, 100 Black Interns
- Investing in talent development

### Meeting our Environmental, Social and Governance responsibilities

- Rapidly growing Responsible Investment Service
- Signed up to the UN Principles for Responsible Investment
- Upgrading property portfolio with the environment a key factor



- Funded by employees with matching donations from the Group for selected cases – staff nominate charities for donations
- 240 different charities supported since 2010, 30 in FY21 to date
- Recent donations include Help the Aged, Shelter, The Salvation Army

# Ben Thorpe

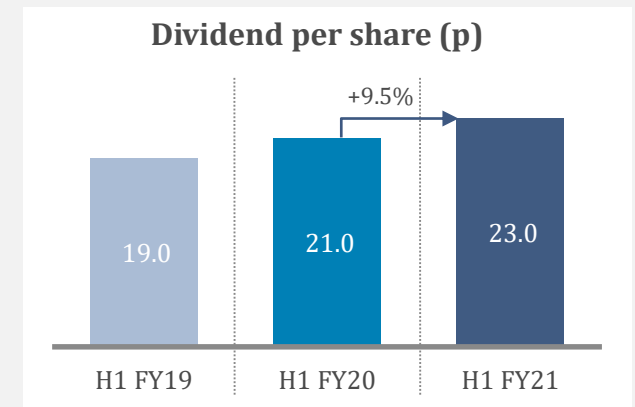
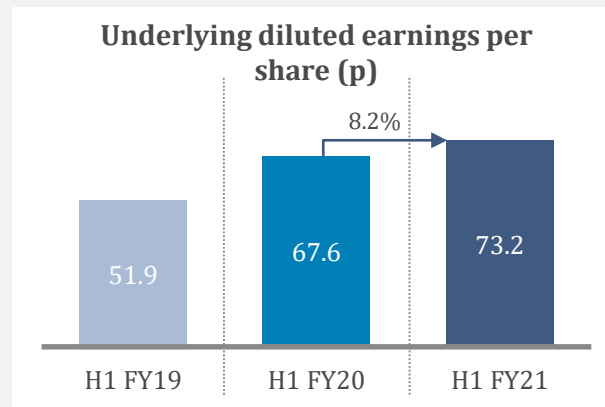
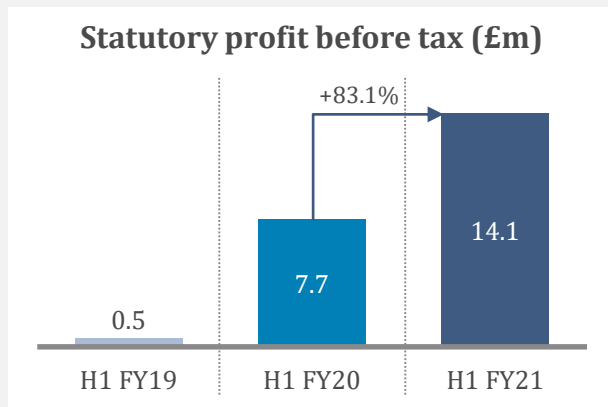
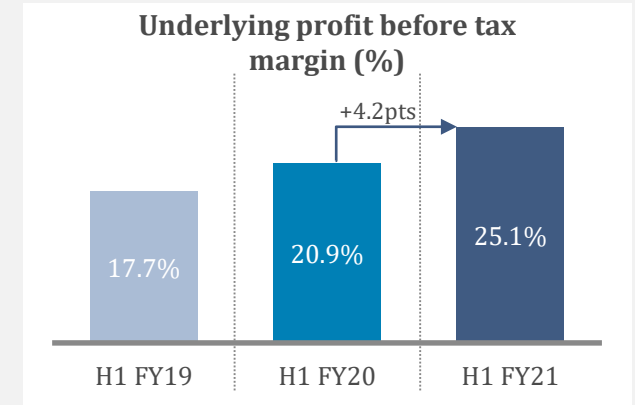
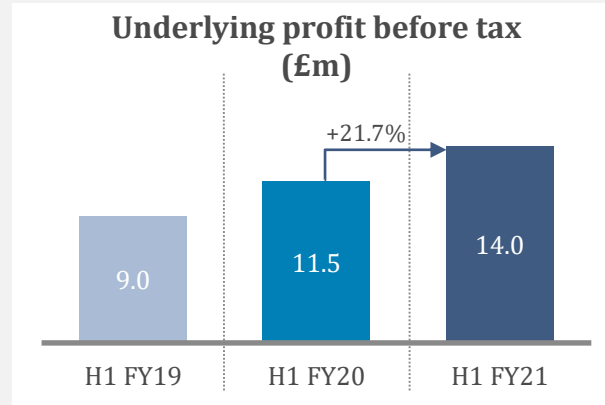
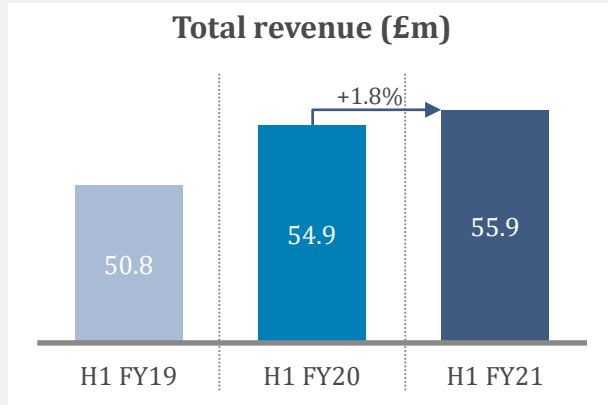
- 1 Context and introduction
- 2 Financial results**
- 3 H1 achievements and outlook

*Note: Numbers may not always cast due to rounding*



BROOKS MACDONALD

# Strong financial performance delivering record profit and margin...



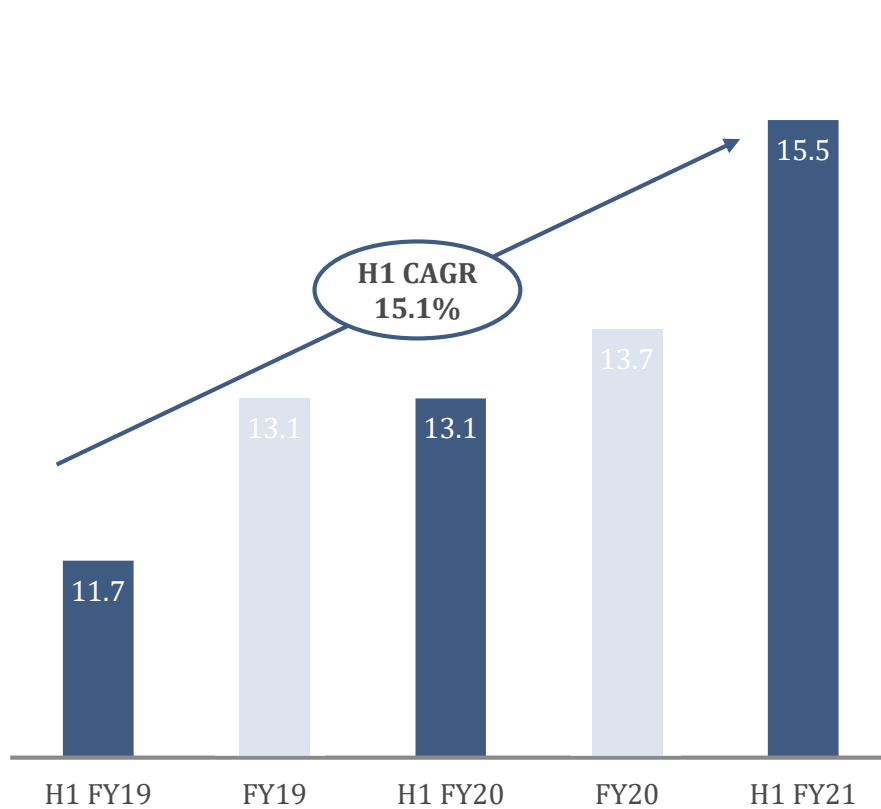
... driven by two successful acquisitions and continued cost discipline

**Note:** Comparative figures have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the fees recognised on the Managed Portfolio Service offered through third party models. Refer to page 37 for more details.

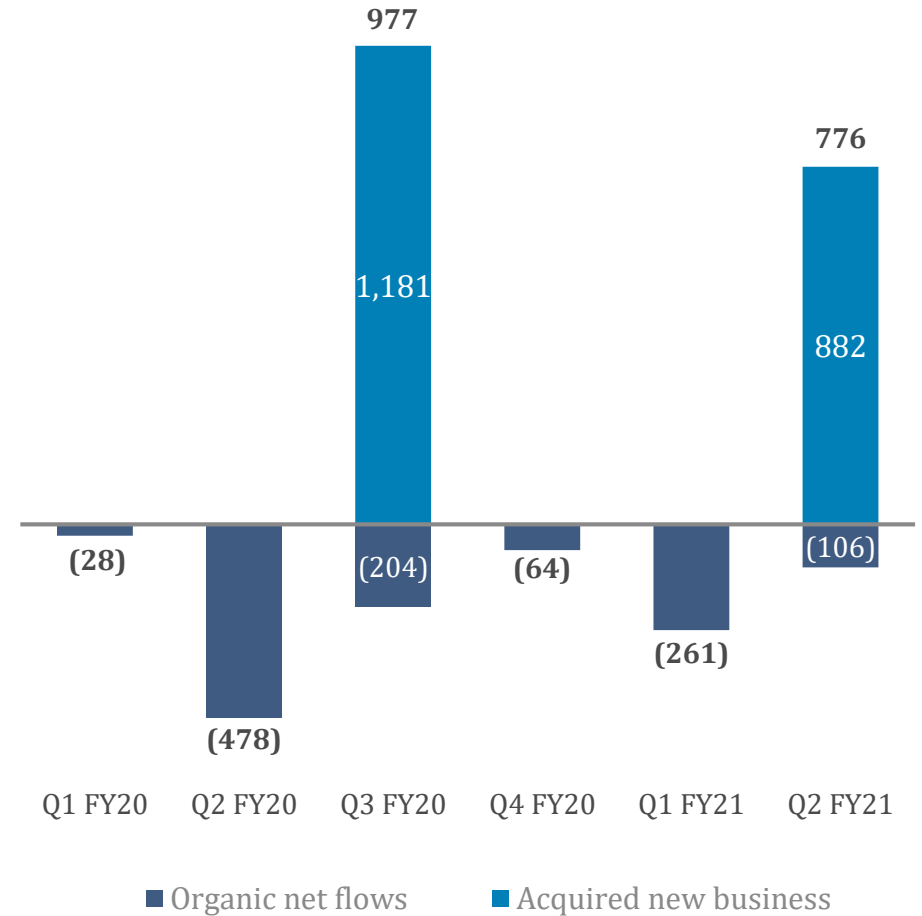


# Record FUM of £15.5bn, net flows gaining momentum

Total FUM for H1 FY19 to H1 FY21 (£bn)

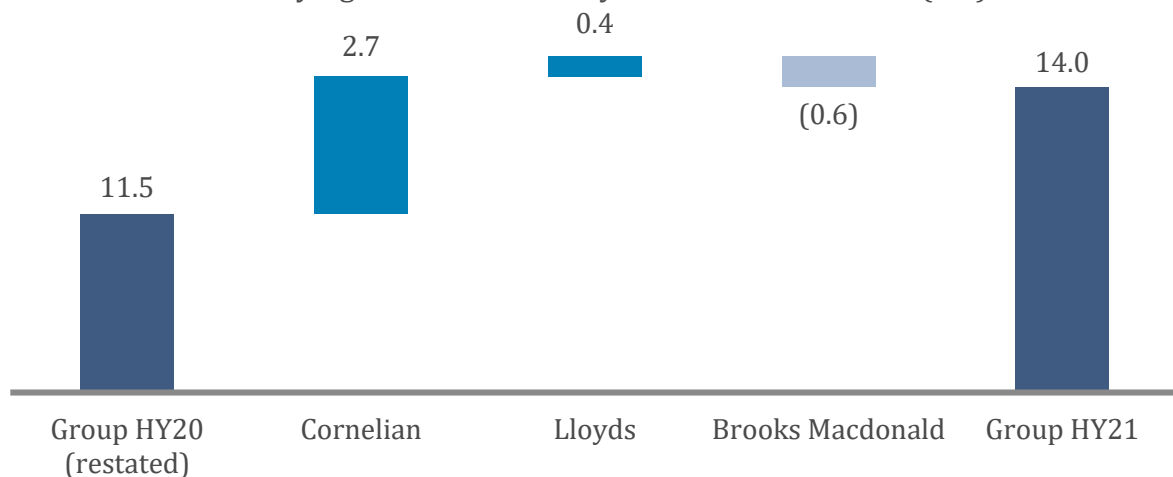


Organic and acquired net flows Q1 FY20 to Q2 FY21 (£m)

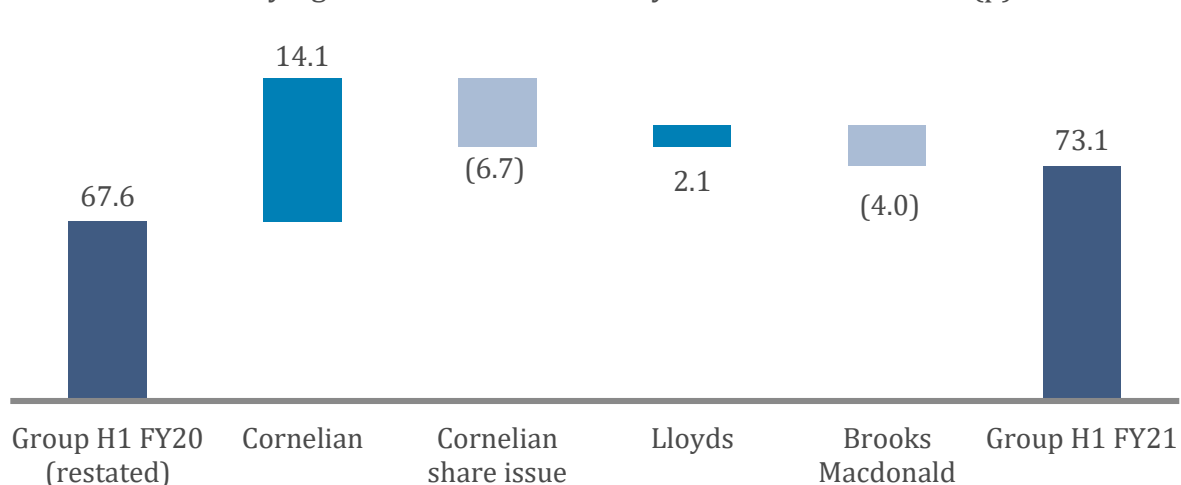


## Recent acquisitions on track to deliver targeted earnings accretion

Underlying PBT attribution by business for H1 FY21 (£m)



Underlying Diluted EPS accretion by business for H1 FY21 (p)



### Notes on underlying PBT attribution:

#### Cornelian

Cornelian contribution to the Group in line with expectations with synergies and accretion delivered.

#### Lloyds

H1 includes one month of Lloyds contribution positioning International for a strong H2.

**Brooks Macdonald** underlying PBT down by £0.6m (5.2%) on H1 FY20 attributable to:

- Revenue decline of 8.2% comprising:
  - Fee income (£1.8m) driven by net outflows;
  - Non fee income (interest) (£2.7m).
- Underlying costs reduction of 9% comprising:
  - Staff costs (£0.3m)
  - Change costs (£1.6m) as the business remediation phase came to an end;
  - Property and office costs (£0.8m) benefitting from move to new London office;
  - T&E spend (£0.5m) due to COVID impact.

## Improved performance in UKIM & FP, more to come in H2 from International

H1 FY21 (£m)	UK Investment Management	International	Financial Planning	Group and consolidation adjustments	Total
Revenue	46.9	7.1	1.9	-	55.9
Direct costs	(19.9)	(4.3)	(1.4)	(16.3)	(41.9)
Contribution	27.0	2.8	0.5	(16.3)	14.0
Indirect cost recharges	(12.3)	(1.4)	(0.9)	14.6	-
Underlying profit before tax	<b>14.7</b>	<b>1.4</b>	<b>(0.4)</b>	<b>(1.7)</b>	<b>14.0</b>
PBT Margin	31.3%	19.7%	(21.1%)	N/A	25.1%
<b>Underlying profit growth (£m)</b>	<b>+1.6</b>	<b>-</b>	<b>+0.2</b>	<b>+0.7</b>	<b>+2.5</b>

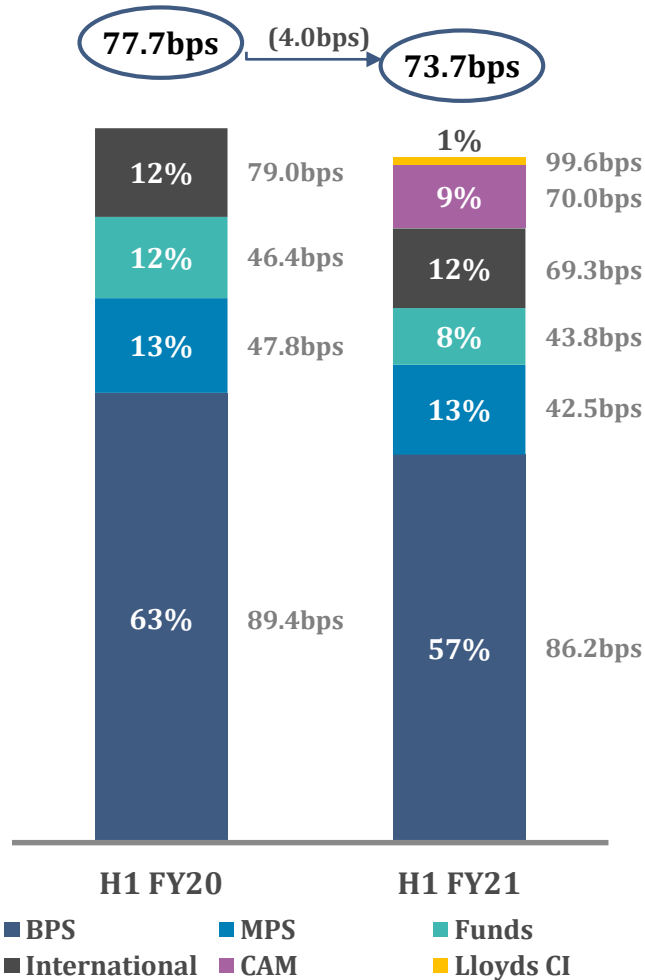
H1 FY20 <sup>1</sup> (£m)	UK Investment Management	International	Financial Planning	Group and consolidation adjustments	Total
Revenue	45.9	7.0	2.0	-	54.9
Direct costs	(20.5)	(4.0)	(1.5)	(17.4)	(43.4)
Contribution	25.4	3.0	0.5	(17.4)	11.5
Indirect cost recharges	(12.3)	(1.6)	(1.1)	15.0	-
Underlying profit before tax	<b>13.1</b>	<b>1.4</b>	<b>(0.6)</b>	<b>(2.4)</b>	<b>11.5</b>
PBT Margin	28.5%	20.0%	(30.0%)	N/A	20.9%

- UKIM revenues up by 2.2%, driven by the contribution from Cornelian, and lower direct costs delivering a strong 31% profit margin
- International recorded a slight uplift in revenues delivering a stable profit margin on the prior period
- Financial Planning saw a reduction in both direct and indirect costs increasing its contribution to the Group

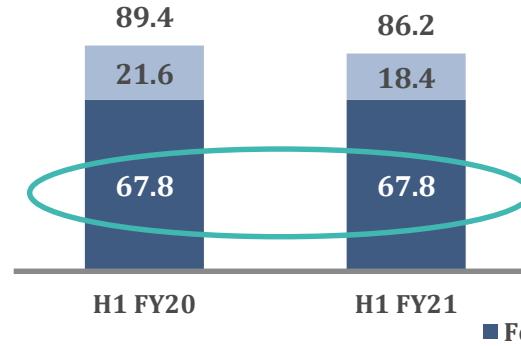
**Note:** Comparative figures have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the revenues recognised on the Managed Portfolio Service offered through third party platforms.

# Stable fee yields, non-fee income driving reduction as per guidance

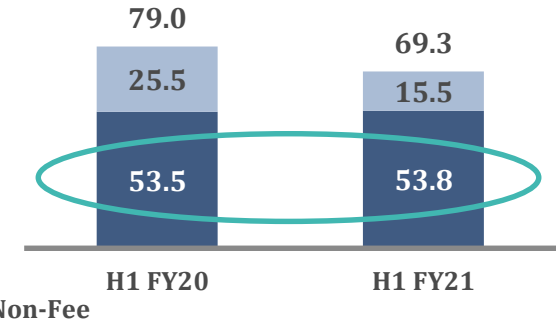
Average FUM (%) and yields (bps)



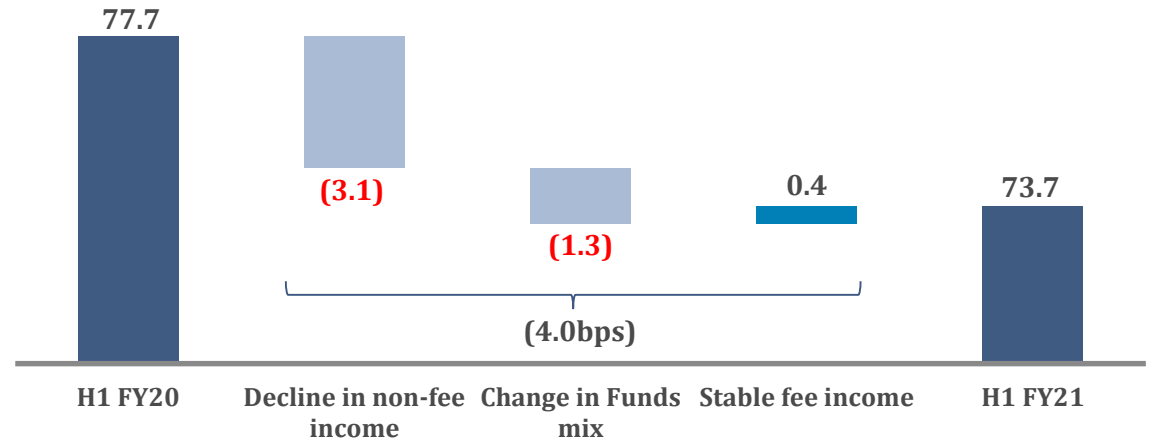
BPS annualised income yield H1 FY20 vs H1 FY21 (bps)



International annualised income yield H1 FY20 vs H1 FY21 (bps)



Yield variance between H1-20 and H1-21 (bps)<sup>1</sup>



1. Excludes CAM and Lloyds CI as contribution to overall yield variance in the period was not significant.

## Good cost discipline, investing for growth, costs down 9% ex acquisitions

	H1 FY20	H1 FY21	Change	
	£m	£m	£	%
Fixed staff costs	18.8	<b>19.1</b>	0.3	1.6
Variable staff costs	7.6	<b>7.0</b>	(0.6)	(7.9)
Acquired staff costs	-	<b>1.3</b>	1.3	-
<b>Total staff costs</b>	26.4	<b>27.4</b>	1.0	3.8
Non-staff costs	17.0	<b>13.4</b>	(3.6)	(21.2)
Acquired non-staff costs	-	<b>1.1</b>	1.1	-
<b>Total non-staff costs</b>	17.0	<b>14.5</b>	(2.5)	(14.7)
<b>Total underlying costs</b>	43.4	<b>41.9</b>	(1.5)	(3.5)
<b>Total underlying costs (excl. acquisitions)</b>	43.4	<b>39.5</b>	(3.9)	(9.0)
Total staff cost/Income	48.1%	<b>49.0%</b>		
Fixed staff cost/Income	34.2%	<b>35.8%</b>		
Non staff cost/Income	31.0%	<b>26.0%</b>		

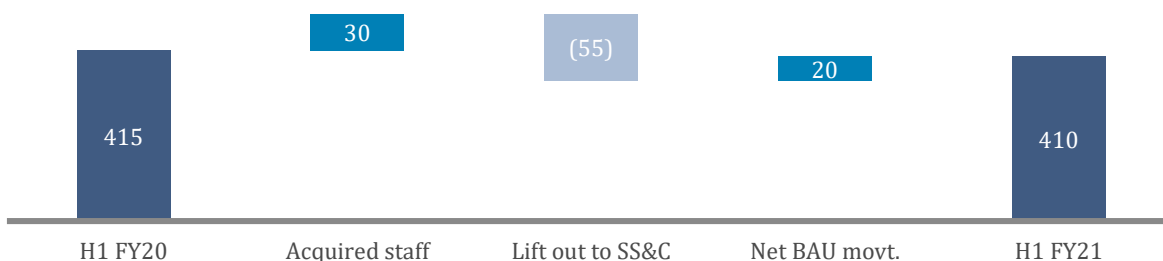
### Notes on underlying costs:

- Total costs down £1.5m (3.5%) over the period and down £3.9m (9.0%) on like-for-like basis (excluding acquisitions).
- Fixed staff costs slightly up on prior year due to continued investment in talent and inflationary pay rises.
- Variable staff costs include a credit on a lapsed legacy share scheme. FY20 bonus accrual weighted to H1, expecting more equal distribution in FY21.
- Total acquired costs of £2.4m in respect of Cornelian and Lloyds, synergies now delivered.

### Notes on headcount:

- Continued to invest in talent across our client facing teams to accelerate growth
- Onboarded 30 Cornelian and Lloyds staff enhancing the Group's skill capabilities.
- 55 staff transferred to SS&C to fill BPO roles under the new partnership arrangement.

### Headcount (excl. contractors) movement H1 FY20 to H1 FY21



## Higher statutory profit with new adjusting items solely acquisition related

	H1 FY20 <sup>1</sup>	H1 FY21
	£m	£m
<b>Underlying profit before tax</b>	11.5	14.0
<i>Acquisition related costs:</i>		
Gain arising on acquisition	-	5.0
Deal structuring and legal costs	(2.0)	-
Integration and staff retention costs	-	(2.4)
Amortisation of client relationships and contracts acquired with fund managers	(1.1)	(2.3)
Changes in fair value of consideration and related disposals	(0.1)	(0.2)
Head office relocation costs	(0.6)	-
<b>Statutory profit before tax</b>	7.7	14.1
Taxation	(1.5)	(2.0)
<b>Statutory profit after tax</b>	6.2	12.1

<b>Balance sheet and capital adequacy</b>	H1 FY20 <sup>1</sup>	H1 FY21
Total Net Assets <sup>2</sup> (£m)	118.9	129.0
Cash <sup>3</sup> (£m)	33.2	38.6
Total capital ratio <sup>2</sup> (%)	18.5	17.2

<sup>1</sup>Comparative figures have been restated to reflect the correct recognition of the Authorised Corporate Director fees and associated costs in respect of one of the Group's managed OEICs and the correct VAT treatment on the fees recognised on the Managed Portfolio Service offered through third party models.

<sup>2</sup>Total net assets and total capital ratio calculation take into account the respective period's interim profits (net of declared interim dividend) as these are deemed to be verified at the date of publication of the half year results.

<sup>3</sup>Cash balances and total capital ratio excluding the proceeds from the share placing held in November 2019 re the Cornelian acquisition.

### Notes on reconciliation to statutory profits:

#### Acquisition related costs +£2.6m:

- Gain on purchase (+£5.0m) in relation to the Lloyds acquisition.
- Deal and Integration costs (£2.4m) incurred on the Cornelian and Lloyds acquisitions.

#### Amortisation of client relationships (£2.3m)

Higher charge for the period reflecting newly acquired investment management contracts.

#### Changes in fair value of consideration (£0.2m)

Change in fair value measurement on deferred payments and receipts on Group M&A.

### Balance sheet and regulatory capital

Balance sheet remains strong with net assets increasing partly due to the newly acquired assets.

The total capital ratio of 17.2% represents the level of 'capital cover' on the Group's Pillar 1 risk weighted exposure requirement.

## H2 guidance points

P&L	FUM	<ul style="list-style-type: none"> <li>Group net flows expected to be modestly positive in H2.</li> <li>UKIM pipeline strong, particularly BM Investment Solutions, and momentum building. BPS conversion times impacted by third lockdown.</li> <li>Underlying momentum in International boosted by Lloyds acquisition. However, H2 net flows for International excluding the acquisition expected to be negative due to the loss of a lower yielding institutional mandate.</li> </ul>
	Income	<ul style="list-style-type: none"> <li>Overall yield expected to be stable in H2.</li> </ul>
	Underlying costs	<ul style="list-style-type: none"> <li>Cost discipline remains a key focus. Baseline H2 costs expected to be in line with H1 with additional £2.5m for Lloyds acquisition and c.£3m for FSCS levy which is fully expensed in H2.</li> </ul>
Cashflow	Capex	<ul style="list-style-type: none"> <li>Continue to manage cashflow tightly. Guidance of c. £5m capex for FY21 maintained (c.£2.5m in H2).</li> </ul>
	EBT purchases	<ul style="list-style-type: none"> <li>Full year guidance increased to c.£5m (from £4m), c. £1.5m in H2.</li> </ul>
Other	Tax	<ul style="list-style-type: none"> <li>Underlying tax rate of 19% expected for H2.</li> </ul>
	Share count	<ul style="list-style-type: none"> <li>Weighted average number of shares for H2 expected to be 15.7m. Actual number of shares at year end expected to be 16.2m.</li> </ul>

# Caroline Connellan

- 1 Context and introduction
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*Note: Numbers may not always cast due to rounding*



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# Delivered sustainable, value-enhancing growth since 2017, now entering the next phase

Completed 2017 strategy, focused on accelerating growth and value creation

Targeting the full scale of the underlying opportunity for the Group

Entering a new phase of the strategy with confidence and ambition

**Phase one: Sept 2017 - Sept 2018**  
Reinforce foundations and take immediate actions to improve margins

- Simplified and de-risked Group, focused on core offering
- Strengthened leadership team
- Launched People Strategy
- Cost discipline, structured change approach
- Centralised Investment Process (CIP)
- Upgraded risk management and operational framework

**Phase two: Sept 2018 for ~2 years**  
Increase value by enhancing what we do and how we do it

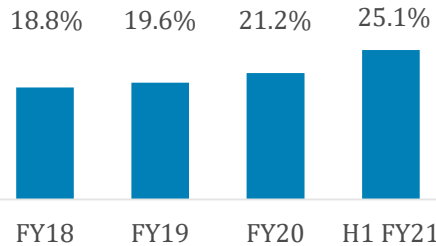
- Maintaining focus on clients and advisers**
  - Proposition development: Court of Protection, Responsible Investment, Decumulation
  - Building pipeline of products and services
  - Geographic coverage: East Anglia, Leeds
  - Cross-business collaboration and referrals
- Continued drive for efficiency and effectiveness, easier to do business with**
  - Streamline processes and eliminate duplication
  - Engaging cost discipline
- Targeted investment**
  - Attract and retain talent, build capability
  - Leverage digital, new portal now live
- Working to bring legacy matters to a conclusion

**Improved returns from sustainable and scalable business model**

- Maximise growth opportunity, both organic and inorganic
- Leverage robust operating model
- Deliver increasing value to shareholders

Delivered sustainable, value-enhancing growth...

Underlying profit margin (%)



## Underlying market potential

- Aging population with growing wealth
- Onus on individual to save for retirement and care
- Demand for advice and high quality investment management
- Growing adviser sector with increasing demand for outsourcing

COVID-19

## New opportunities

- Changed adviser expectations, increased service demands
- Client need to rebuild retirement incomes
- Renewed focus on inheritance planning
- Criticality of digital to complement face-to-face
- ESG more prominent



# Focused on accelerating growth and value creation, with vision for BM as the leading investment manager for intermediaries

## Market-leading organic growth

*Best-in-class adviser experience and excellent client service, rigorous Centralised Investment Process, compelling investment proposition*

### Our purpose

*Realising ambitions and securing futures*

### Our vision

*The leading investment manager for intermediaries*

### Our mission

*To protect and enhance clients' wealth through the provision of investment management and advice alongside exceptional client service*

## Service and operational excellence

*Easy to do business with, digital enablement, efficiency and scalability, resilience*

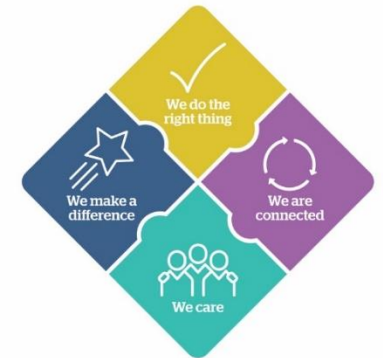
## Agile, high-quality M&A

*Strict criteria, delivery of benefits*

**Committed to top quartile underlying profit margin over the medium-term**

## People and Culture

### Our guiding principles



### Our promise



*Enabling our strategy by attracting, engaging and retaining the best talent in the industry*

# Strong first half across the business with momentum building

## UK Investment Management

- Inflows up and outflows down Q2 vs Q1, net positive calendar year to end February excluding DCF – momentum building
- Supporting existing advisers and broadening network of adviser connections
- Responsible Investment Service and other specialist services growing well, approaching £1bn in total
- BM Investment Solutions seen several material wins (FUM expected in H2) and a strong pipeline
- Powerful blend of BM experience and new hires bringing fresh ideas and relationships
- Brought together FP and UKIM teams serving private clients
- Strong pipeline for H2, although lead time to convert pipeline to FUM currently extended

## International

- Energised, high performing team in place, now right-sized and focused
- Now a multi-channel business – advisers, trustees, private clients – with a comprehensive proposition across bespoke and model portfolios, multi-asset and fixed income funds
- Growing pipeline through targeted proposition and focused distribution, although residual outflows from historic low yielding assets
- Growth of Funds – adding share classes and funds to complete multi-asset range
- Acquisition and integration of Lloyds Channel Islands wealth management and funds business
  - Added strong talent and experience with 20 people joining
  - Brought in c.1,000 clients

# Our partnership with SS&C is a critical enabler of the strategy

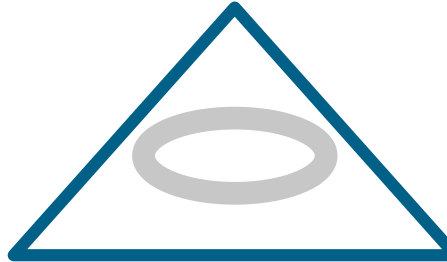
## Objectives of the partnership



## Enabling all three value drivers of the strategy

### Organic growth

- Market leading digital tools, complementing face-to-face relationships
- Gives BM a distinctively strong service offering and a clear competitive edge



### Service and operational excellence

- Making BM easy to do business with
- Efficient, effective and robust processes

### Agile, high-quality M&A

- Scalable platform supporting integration of new businesses
- Rapid capture of cost synergies

## Delivered already



Administrative processes transferred to SS&C



Retained Operational staff with client focus

## Coming by the end of 2021



New client onboarding solution



New Front Office technology



New adviser/client portal



Streamlined CRM solution(s)

## Delivered strong performance in H1, focused on accelerating growth and value creation

- **Strong six months** – record FUM, record profit margin, robust investment performance, flows trend improving, increasing employee engagement
- **Dividend up by 9.5%**, underlining confidence of the Board in the Group's prospects
- **Delivering for clients and intermediaries, momentum building**
- Continuing **short-term uncertainty** but a **strong medium-term outlook** driven by compelling **fundamental market potential**
- **Well positioned for growth**, committed to delivering **top quartile underlying profit margin** over the medium-term

Emerging from period of change a stronger business with confidence in our vision as the leading investment manager for intermediaries

# Q & A



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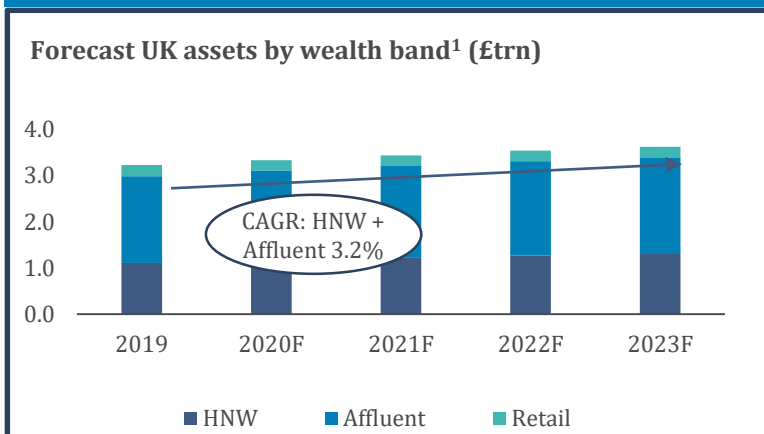
# Appendix



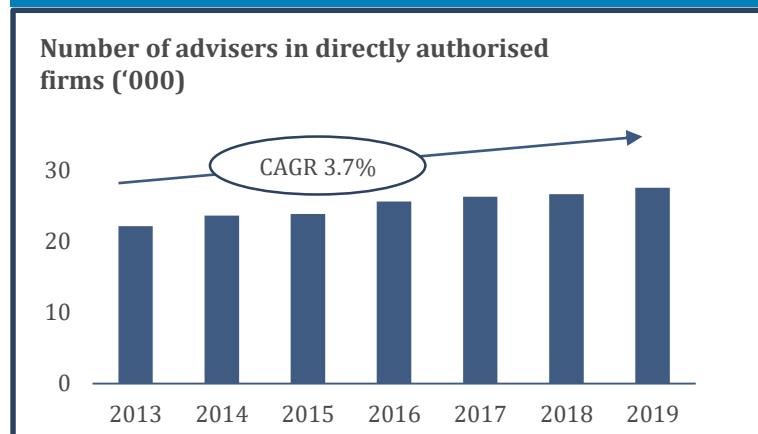
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# The fundamental opportunity for Brooks Macdonald is excellent

## Wealth is growing in the UK...



## ... as is the number of advisers.



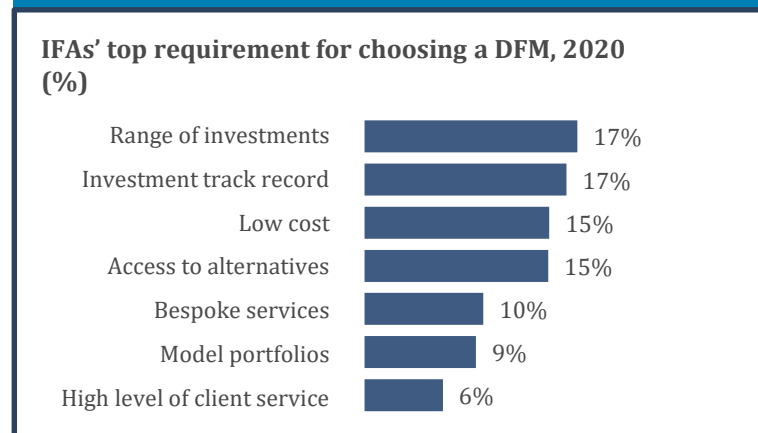
## They are outsourcing more...

**Platform report August 2020**  
**"UK Wealth Management Market Overview"**

*"There is a trend towards outsourcing portfolio management in the advice market. Multi-asset funds have been growing strongly but on-platform model portfolios are also expected to see strong growth."*

*"We expect demand for fully bespoke outsourced discretionary to remain strong."*

## ... and their criteria play to our strengths



Source: GlobalData, Platform, FCA, PIMFA

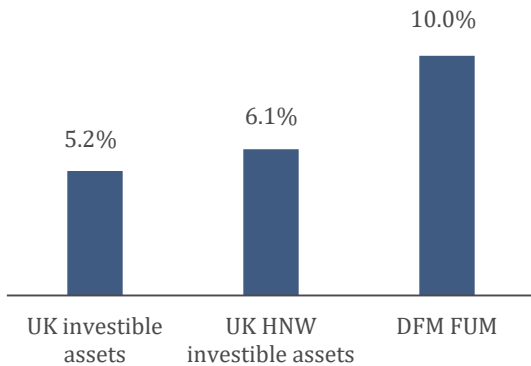


# Fundamental opportunity – demographics and policy

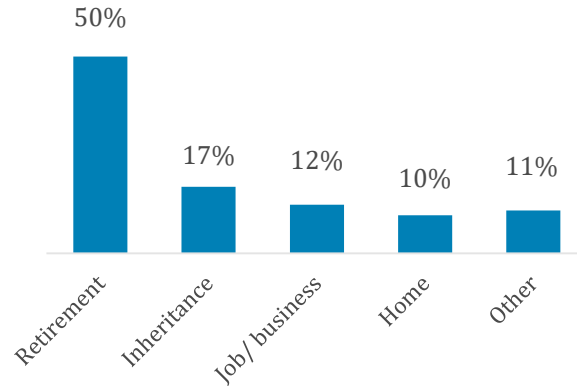
## Underlying demographic and policy trends

- **Supportive demographic trends:** ageing population with need to save for retirement
- **Supportive policy environment:** public policy-driven onus on individuals to plan for retirement, with suitable investment of assets
- **Growing demand for pre- and post-retirement related advice,** also focus on saving for long-term care costs
- **Trends reinforced by COVID-19:** widespread need to rebuild retirement incomes, focus on inheritance planning

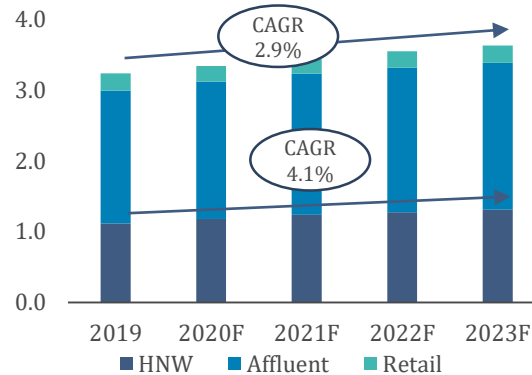
## Growth rates 2012-19 (%)



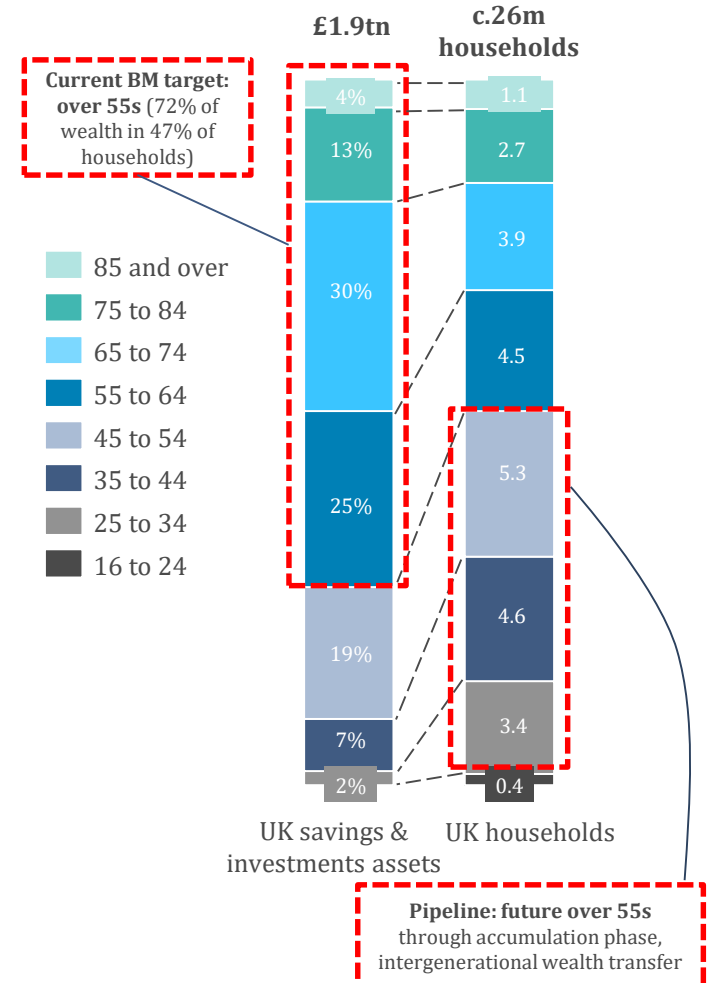
## Trigger for seeking financial advice (%)



## Forecast UK investible assets by wealth band<sup>1</sup> (£trn)



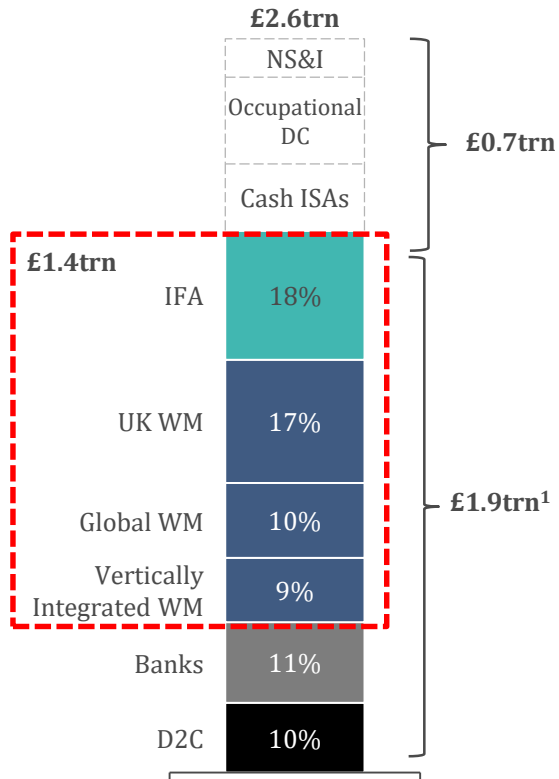
## UK household wealth<sup>2</sup> by age band



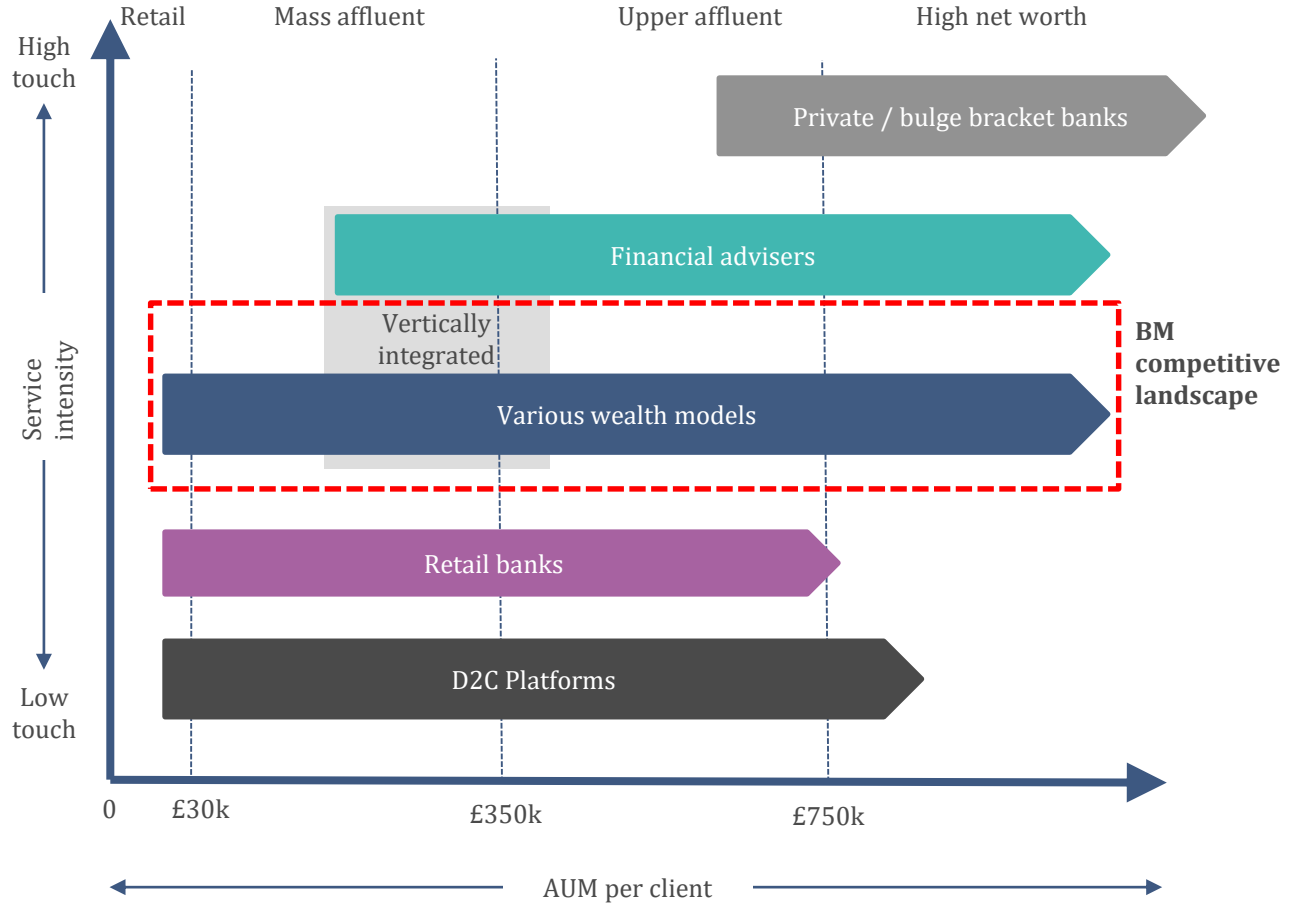
1. GlobalData define HNW as liquid assets > £750k; affluent in the range £30k - £750k; mass market <£30k  
 2. Wealth in 2018, excluding NS&I, Occupational DC pensions and cash ISAs  
 Source: GlobalData, ONS

# Fundamental opportunity – UK wealth market

UK S&I market  
(by investment management provider)



Wealth market participants by segment



<sup>1</sup> Total savings and investment assets as per previous page  
 Source: 2018 ONS data, PIMFA, and PwC interviews,

# Fundamental opportunity – IFA market

## IFA firm characteristics

- Large national scale leaders
- Targeting individuals and firms in the ‘long tail’ to increase adviser numbers
- All have in-house DFM, though some also use external providers

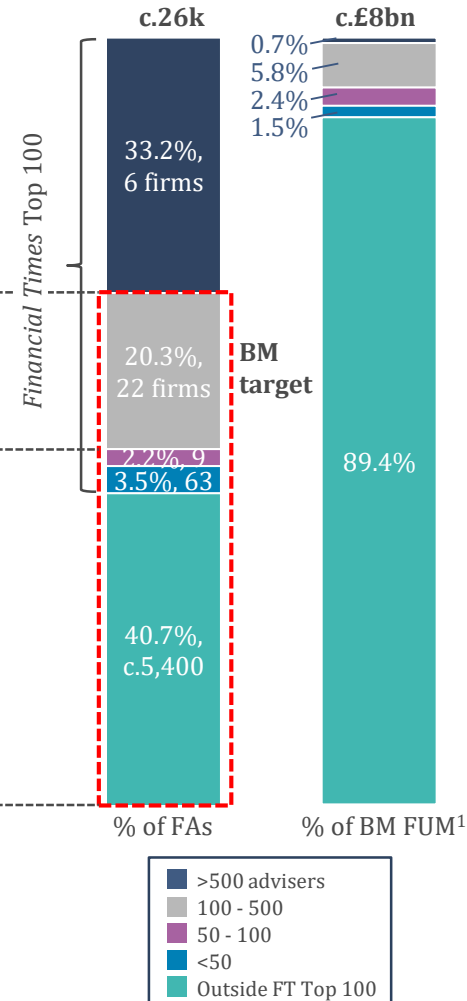


- Typically PE-owned or part of larger group. Some buying up ‘long tail’ firms
- Majority have in-house DFM, though some also use external providers



- Long tail of smaller firms
- Segmented between higher value (service orientated) and lower value (volume driven) propositions
- While some firms being bought up by larger players, others very focused on building strong sustainable businesses
- Increasingly outsourcing to DFMs (and outsourcing more)
- Trend towards more specialised services, model portfolios and unitised solutions, consultancy to support business success

## IFA firms by size, share of FA population and share of BM funds<sup>1</sup> (%)



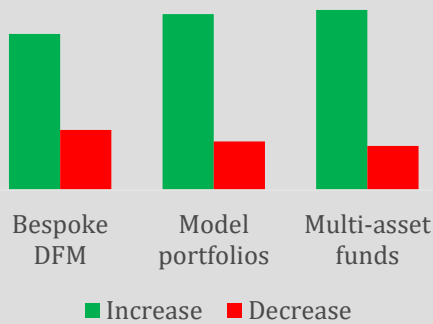
Note 1. Of UKIM custody FUM introduced by IFAs  
Source: FCA, PIMFA, The Financial Times 2018 top 100 advisers (CF30s)

# Fundamental opportunity – IFA outsourcing

The trend for IFAs to outsource investment management to DFM is continuing, with the proportion of model portfolios and funds in the mix of underlying product growing

## Advisers planned use of outsourced DFMs, 2020

*Expected change in client assets allocated to outsourced DFM services over next 2 years*



## Platforum report August 2020

### “UK Wealth Management Market Overview”

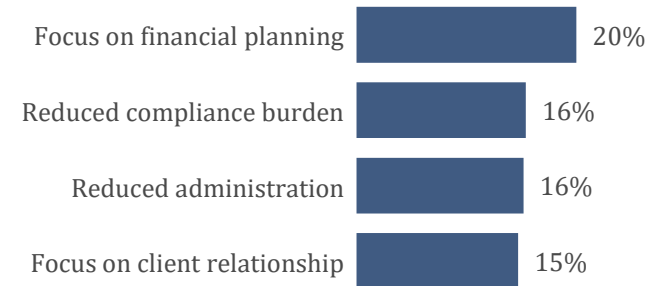
*“There is a trend towards outsourcing portfolio management in the advice market. Multi-asset funds have been growing strongly but on-platform model portfolios are also expected to see strong growth.”*

*“We expect demand for fully bespoke outsourced discretionary to remain strong.”*

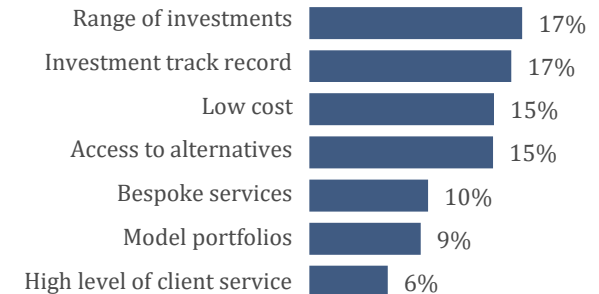
Source: GlobalData, Platforum

IFAs decide to outsource to let them focus and reduce their administrative and compliance burden, but choice of DFM depends on investment track record and customer service

## IFAs’ top reasons for choosing to outsource, 2020 (%)



## IFAs’ top requirement for choosing a DFM, 2020 (%)



# Driving organic growth going forward

	Importance to advisers	What Brooks Macdonald will deliver
<b>Robust Centralised Investment Process (CIP)</b>	<ul style="list-style-type: none"> <li>• Critical to assure advisers of consistency of client returns</li> <li>• Incorporates input from all investment and portfolio managers, ensuring buy-in</li> <li>• <b>Historically differentiated, now a quality baseline</b></li> </ul>	<ul style="list-style-type: none"> <li>• Bring best of our ideas consistently to clients' portfolios, giving consistently strong returns</li> <li>• CIP is core to BM: performance consistently ahead of ARC benchmarks across 1, 3, 5 and 10 years</li> <li>• Flexibility to accommodate adviser investment and compliance screening processes</li> </ul>
<b>Compelling investment proposition</b>	<ul style="list-style-type: none"> <li>• Demand for ESG and other more specialised products within bespoke portfolios</li> <li>• More value-driven offerings – model-based, funds and unitised solutions</li> <li>• Complemented by adviser support and communications and excellent client service</li> <li>• <b>Compelling investment proposition important to be credible</b></li> </ul>	<ul style="list-style-type: none"> <li>• Strong set of specialised BPS products, clearly differentiated (<i>AIM, Court of Protection, Decumulation, Responsible Investment Service</i>)</li> <li>• Further development of model-based and unitised solutions, leveraging expertise of CIP and BPS specialisms</li> <li>• B2B Investment Solutions offering with consultancy overlay, responding to adviser needs and preferences</li> <li>• Excellent client service</li> </ul>
<b>Best in class adviser experience</b>	<ul style="list-style-type: none"> <li>• Efficiency and ease of doing business increasingly important</li> <li>• Delivering a strong, easy to access service is key</li> <li>• Digital enabling a broader adviser relationship</li> <li>• Excellent client service, supporting advisers retain clients and grow their business</li> <li>• <b>Opportunity to differentiate within sector</b></li> </ul>	<ul style="list-style-type: none"> <li>• Committed to delivering best-in-class adviser experience and ensuring adviser confidence in client service levels</li> <li>• Market leading reporting and tools (e.g. look-through) for model-based and unitised portfolios</li> <li>• Systematic ongoing review of adviser requirements to shape development of offering</li> <li>• Sustainable differentiation through ongoing innovation</li> </ul>

## Our specialist BPS proposition

### Responsible Investment Service

- Environmental, Social & Governance offering which aims to delivery meaningful change to sustainability changes on behalf of investors
- Two options – Advance, which invests in funds giving exposure to businesses providing direct solutions to the world’s sustainability challenges, and Avoid, which excludes investment in funds with exposure to businesses involved in the production of pornography, armaments, gambling, tobacco and alcohol
- Available in BPS, MPS and International

### AIM Portfolio Service

- Invests in businesses in the London Stock Exchange’s AIM market which serves smaller high-growth companies
- Portfolio of 30-40 carefully selected AIM listed companies
- UK government provides incentives to private investors to support growth companies through Inheritance Tax relief

### Decumulation Service

- A new approach to retirement planning designed to help clients meet their full income requirements throughout their full retirement
- Splits client assets between a short-term portfolio invested in cash and short-term structured return assets in the early years of retirement and a longer-term portfolio invested in growth assets

### Court of Protection

- Proposition that supports clients with court-appointed deputies and their advisers, where the individual lacks the mental capacity to make their own financial decisions
- Part of a broader approach to vulnerable clients in general, with targeted communication and support mechanisms

Grown 30% in H1 FY21, now approaching £1bn FUM

# Investment performance

		1 year to 31.12.20	3 yrs to 31.12.20	5 yrs to 31.12.20	10 yrs to 31.12.20
Low Risk	BM Low Risk	2.72	8.63	21.37	51.47
	ARC Sterling Cautious PCI	4.20	8.50	19.62	39.08
	Relative performance	-1.48	0.13	1.75	12.39
Low-to-Medium Risk	BM Low-to-Medium Risk	4.53	12.17	30.31	66.07
	ARC Sterling Balanced Asset PCI	4.31	10.61	28.20	55.91
	Relative performance	0.21	1.57	2.12	10.16
Medium Risk	BM Medium Risk	6.58	15.32	39.66	79.00
	ARC Sterling Steady Growth PCI	4.56	13.46	38.49	73.87
	Relative performance	2.01	1.85	1.16	5.13
Medium-to-High Risk	BM Medium-to-High Risk	10.60	20.69	53.69	96.64
	ARC Sterling Equity Risk PCI	5.82	16.80	47.97	89.07
	Relative performance	4.78	3.89	5.72	7.57
High Risk	BM High Risk	12.72	23.95	63.33	125.13
	ARC Sterling Equity Risk PCI	5.82	16.80	47.97	89.07
	Relative performance	6.90	7.16	15.36	36.06

All figures are rounded to 2 decimal places. Please note that due to rounding, the figures shown in this table may not precisely add up to the totals/differentials shown. Past performance is not a reliable indicator of future results. All performance figures are net of underlying fund charges and Brooks Macdonald management fees but gross of professional adviser charges. Deduction of these fees will impact on the performance shown.

Source: Brooks Macdonald, Asset Risk Consultants (ARC), as at 31.12.20

## Higher average FUM, growth in revenue and slight drop in yields due to mix change

	Revenue			Yields			Avg FUM		
	H1 FY20	H1 FY21	Change	H1 FY20	H1 FY21	Change	H1 FY20	H1 FY21	Change
	£m	£m	%	bps	bps	Bps	£m	£m	%
BPS fees	28.3	27.6	(2.5)	67.8	67.8	-	8,304	8,077	(2.7)
BPS non-fees	9.0	7.5	(16.7)	21.6	18.4	(3.2)	-	-	-
<b>Total BPS</b>	<b>37.3</b>	<b>35.1</b>	<b>(5.9)</b>	<b>89.4</b>	<b>86.2</b>	<b>(3.2)</b>	<b>8,304</b>	<b>8,077</b>	<b>(2.7)</b>
MPS	4.2	4.0	(4.8)	47.8	42.5	(5.3)	1,746	1,867	6.9
<b>UKIM discretionary (excl. CAM)</b>	<b>41.5</b>	<b>39.1</b>	<b>(5.8)</b>	<b>82.1</b>	<b>78.0</b>	<b>(4.1)</b>	<b>10,050</b>	<b>9,944</b>	<b>(1.1)</b>
Funds	3.5	2.6	(25.7)	46.4	43.8	(2.6)	1,500	1,177	(21.5)
<b>Total UKIM (excl. CAM)</b>	<b>45.0</b>	<b>41.7</b>	<b>(7.3)</b>	<b>77.5</b>	<b>74.4</b>	<b>(3.1)</b>	<b>11,550</b>	<b>11,121</b>	<b>(3.7)</b>
CAM	-	4.7	n/a	-	70.0	n/a	-	1,332	n/a
<b>Total UKIM (incl. CAM)</b>	<b>45.0</b>	<b>46.4</b>	<b>3.1</b>	<b>77.5</b>	<b>73.9</b>	<b>(3.6)</b>	<b>11,550</b>	<b>12,453</b>	<b>7.8</b>
International fees	4.4	4.5	2.3	53.5	53.8	0.3	1,637	1,659	1.3
International non-fees	2.1	1.3	(38.1)	25.5	15.5	(10.0)	-	-	-
Lloyds CI <sup>1</sup>	-	0.8	n/a	-	99.6	n/a	-	153	n/a
<b>Total International</b>	<b>6.5</b>	<b>6.6</b>	<b>1.5</b>	<b>79.0</b>	<b>72.3</b>	<b>(7.0)</b>	<b>1,637</b>	<b>1,812</b>	<b>10.7</b>
<b>Total FUM related revenue</b>	<b>51.5</b>	<b>53.0</b>	<b>2.9</b>	<b>77.7</b>	<b>73.7</b>	<b>(4.0)</b>	<b>13,187</b>	<b>14,265</b>	<b>8.2</b>
Financial Planning - UK	2.0	1.9	(5.0)						
Financial Planning - International	0.5	0.5	-						
Other income	0.9	0.5	(44.4)						
<b>Total non FUM related revenue</b>	<b>3.4</b>	<b>2.9</b>	<b>(14.7)</b>						
<b>Total Group revenue</b>	<b>54.9</b>	<b>55.9</b>	<b>1.8</b>						

### Notes on yields movement:

#### UKIM:

**BPS fee yield** - flat on prior year

**BPS non-fee yield** - down by 3bps largely due to drop in interest income

**MPS fee yield** - down by 5bps as a result of business growth and new mandates at relatively lower rates

**Funds yield** - drop of 3bps as a result of a change in mix with outflows mainly seen in higher yielding DCF

#### International:

**Fee yield** - up slightly on prior year due to impact of mix

**Non-fee yield** - down by 10bps due to lower interest and transactional income

Note 1. Average FUM for Lloyds CI time weighted for 1 month for the purposes of the yield calculation.

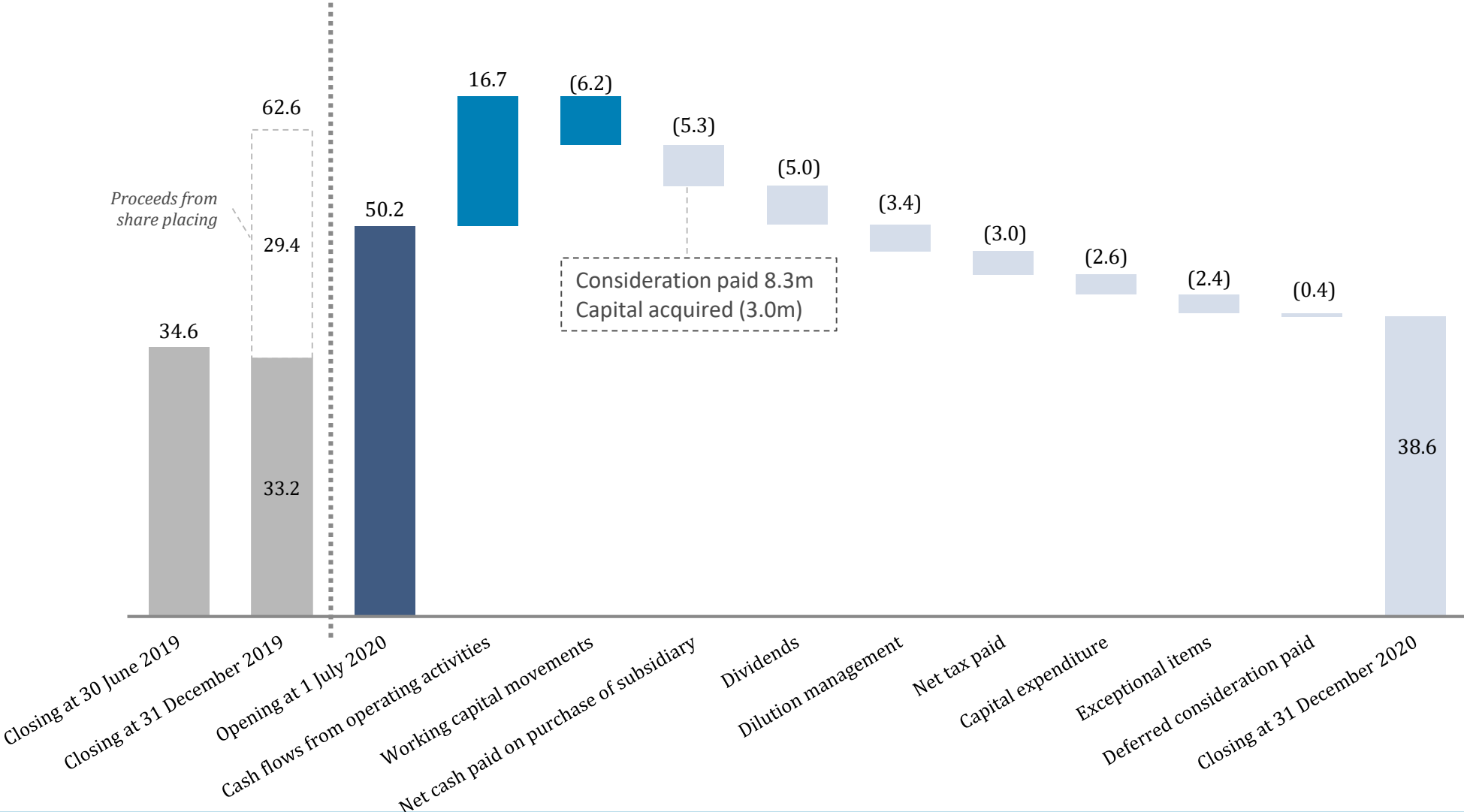


## Cash flows

£m	H1 FY20	H1 FY21
<b>Opening cash</b>	34.6	<b>50.2</b>
Cash flows from operating activities	14.4	<b>16.7</b>
Working capital movements	(3.7)	<b>(6.2)</b>
Discontinued operations	0.4	-
Net interest received	0.1	<b>0.0</b>
Cash paid on purchase of subsidiary	-	<b>(5.3)</b>
Dividends paid	(4.4)	<b>(5.0)</b>
Net tax paid	(4.5)	<b>(3.0)</b>
Dilution management	(1.7)	<b>(3.4)</b>
Capital expenditure	(0.9)	<b>(2.6)</b>
Deferred consideration paid	(0.9)	<b>(0.4)</b>
Exceptional items	(0.2)	<b>(2.4)</b>
<b>Closing cash (excl. CAM share placing)</b>	33.2	<b>38.6</b>
<b>Change in cash</b>	(1.4)	<b>(11.6)</b>
Proceeds from CAM share placing	29.4	-
<b>Total closing cash</b>	<b>62.6</b>	<b>38.6</b>

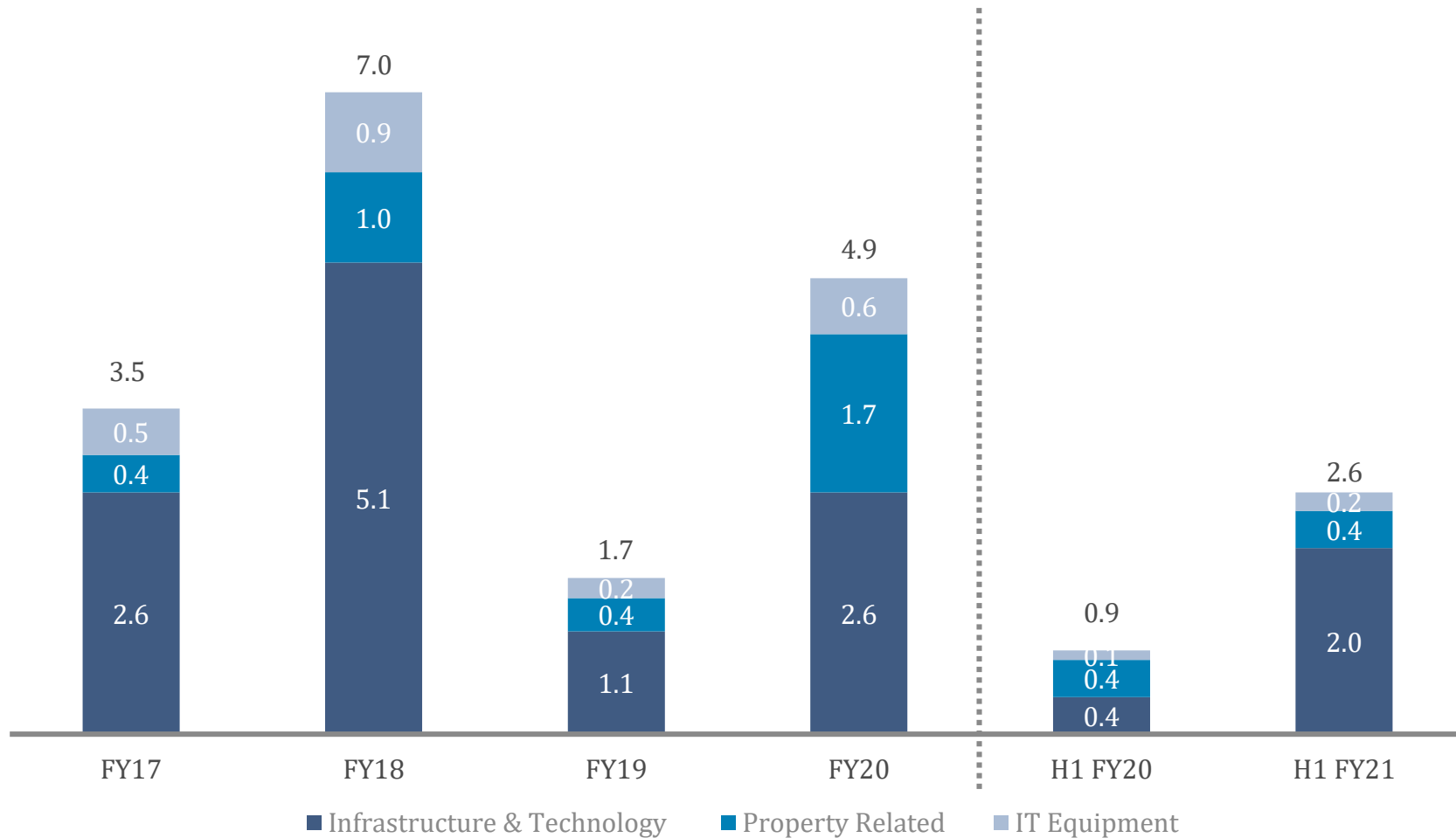
# Strong cash generation, Lloyds acquisition funded from own funds

Cash movements for 6 months to 31 December 2020 (£m)

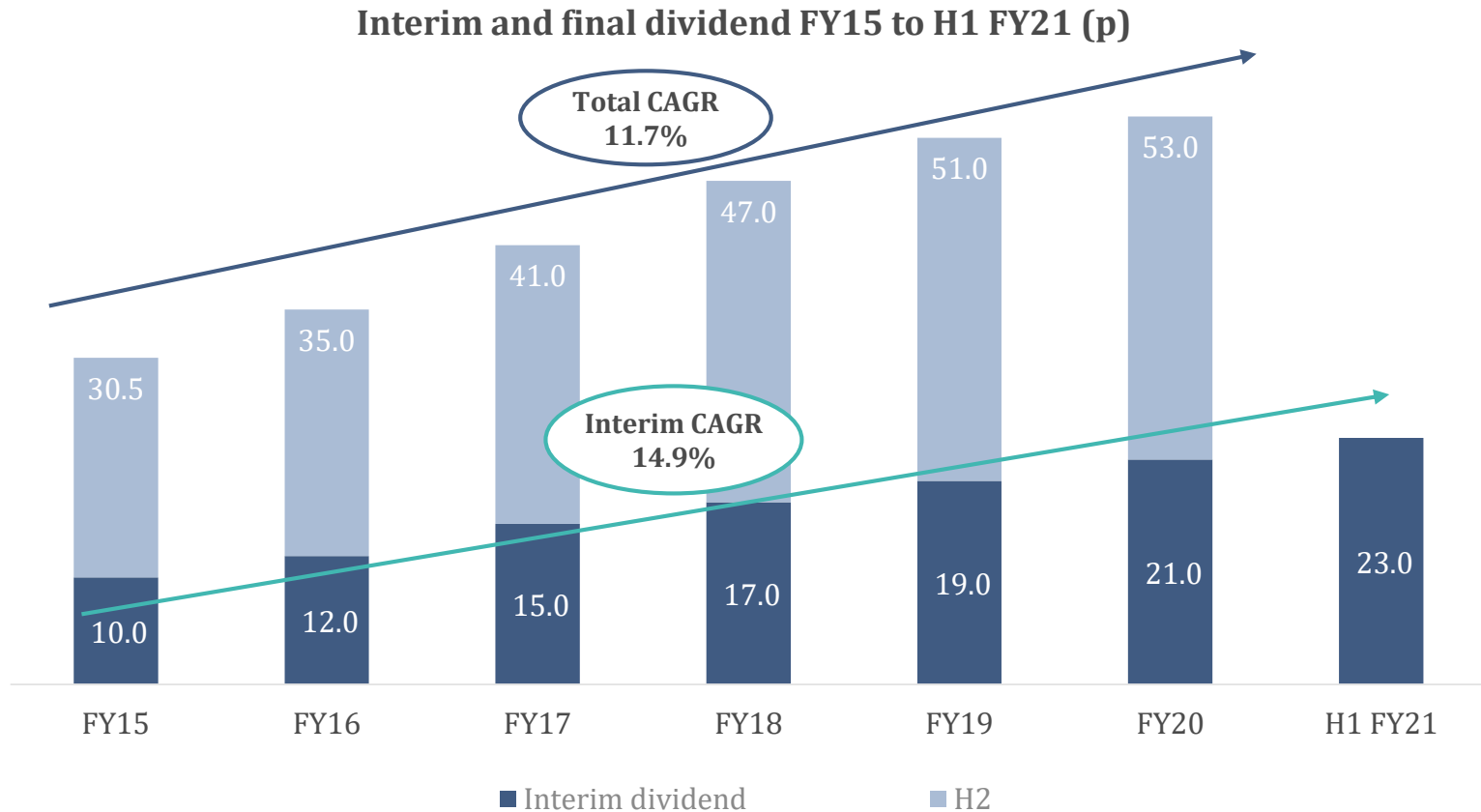


# Capital expenditure trend

## Capital expenditure FY17 - H1 FY21 (£m)



# Interim and final dividend growth trend



**Cover:**

**Underlying**

3.0      2.5      2.8      2.5      2.4      2.3

**Statutory**

2.2      2.7      1.0      0.8      0.8      0.8

## H1 FY20 restated P&L

	<i>H1 FY20 Reported</i>	<i>ACD adj.</i>	<i>Platform MPS VAT adj.</i>	<i>H1 FY20 Restated</i>
<b>Revenue</b>	55.8	(0.7)	(0.2)	<b>54.9</b>
<b>Total staff costs</b>	(26.4)	-	-	<b>(26.4)</b>
<b>Total non-staff costs</b>	(17.7)	0.7	0.0	<b>(17.0)</b>
<b>Total underlying costs</b>	(44.1)	0.7	0.0	<b>(43.4)</b>
<b>Underlying profit before tax</b>	11.7	-	(0.2)	<b>11.5</b>
<b>Statutory profit before tax</b>	7.9	-	(0.2)	<b>7.7</b>
<b>Underlying profit before tax margin</b>	21.0%	0.2%	(0.2%)	<b>20.9%</b>
<b>Underlying diluted earnings per share</b>	68.7	-	(1.1)	<b>67.6</b>

### H1 FY20 restatement:

The H1 FY20 figures have been restated to reflect the correct recognition of:

- i. Authorised Corporate Director fees and associated costs in respect of the Group's managed OEICs, and
- ii. the VAT treatment on the revenues recognised on the Managed Portfolio Service offered on third party platforms.

Further details of these adjustments are included in the FY20 results announced on 17 September 2020.

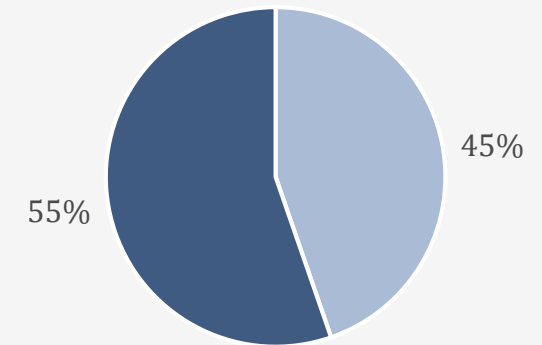
# Second strongly accretive acquisition completed



*Lloyds Bank International's Channel Islands wealth management and funds business*

- ✓ Integration completed in Q4 2020, increasing International FUM by £882m and adding c.1,000 private clients
- ✓ Multi-asset and fixed income fund capability, augmenting International's proposition to clients, advisers and trustees
- ✓ Strengthened intermediary distribution reach, plus a two way referral agreement should provide boost to longer term ambitions
- ✓ Expected to deliver targeted EPS accretion of 8-10% in the first full financial year following completion (ending 30 June 2022)

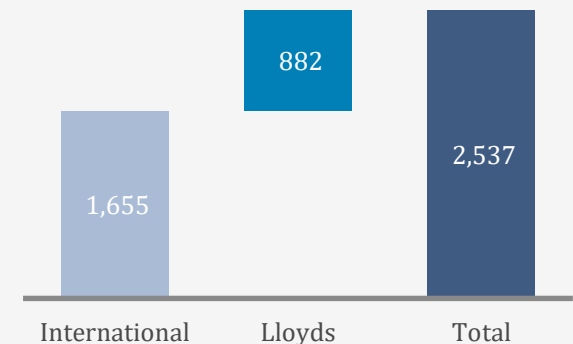
Lloyds FUM by type at completion (£m)



Total FUM = £882m

■ Private Clients ■ Funds

International FUM (£m)



# Leadership team



**Caroline Connellan**  
CEO, Executive Director



**Ben Thorpe**  
Group Finance Director,  
Executive Director



**Robin Eggar**  
Managing Director, UKIM



**Andrew Shepherd**  
CEO International  
Deputy Group CEO



**Lynsey Cross**  
Chief Operating Officer



**Edward Park**  
Chief Investment  
Officer



**Priti Verma**  
Chief Risk Officer

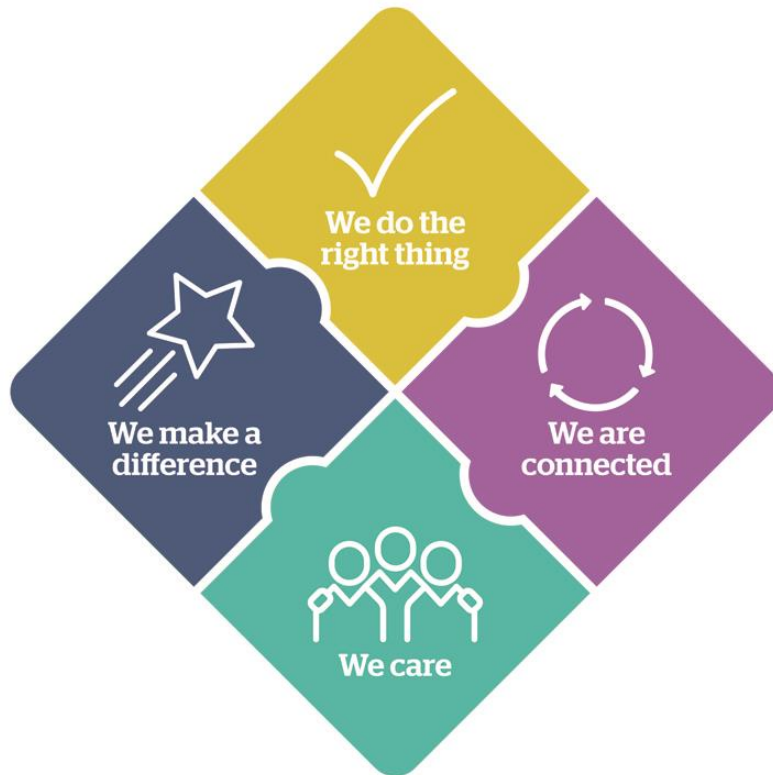


**Tom Emery**  
HR Director



**Alick Mackay**  
Director, Strategy &  
Corporate Development

# Our guiding principles



... underpin everything we do and the way we do it

## We do the right thing

- We are worthy of our clients', advisers', partners' and one another's trust
- We act with integrity, honesty and fairness and we value diversity
- We take responsibility for our actions and decisions
- We deal with issues and tackle hard decisions head on

## We are connected

- We collaborate and work as one team to bring the best of Brooks Macdonald to all we do
- We actively seek opportunities to learn from others and share our expertise
- We actively listen and communicate with clarity
- We look externally, challenge ourselves and are open to new ways of doing things

## We care

- Our clients, advisers and partners are at the heart of everything we do
- We support our people to be the best they can be
- We treat our clients, advisers, partners and each other with respect
- We ask for help and we offer support to one another

## We make a difference

- We focus on delivering value for clients, advisers, partners and shareholders
- We are ambitious and constantly strive to be the best at what we do
- We innovate, learn from our actions and actively gather feedback to improve
- We develop our skills and nurture our relationships to ensure we remain relevant



# Recent awards

## 2020

- Defaqto: 5-star rating for the MPS and BPS
- Defaqto: 5-star rating for the MPS (platform category)
- Defaqto: 5-diamond rating for the MAF (risk focused fund family)
- Defaqto: 5-diamond rating for the DCF (absolute return)
- Citywire Wealth Manager: Regional Stars
  - Winners: Wales and Tunbridge Wells (South East)
  - Shortlisted: London, Manchester, Wales, Tunbridge Wells, Hampshire and Leamington Spa.
- Citywire Top 30 under 30 (Oliver Davies)
- PAM Top 40 under 40 (Akos Dietrich)
- Cardiff Prestige Awards: Investment Management Company of the Year
- Citywire Wealth Manager Top 100 (Edward Park and Ben Palmer)
- Citywire 2020 Future Leaders Top 100 (Peter Musker)
- PAM 2020 thewealthnet Top Financial Planning Companies

## 2021

- Defaqto: 5-star rating for the BPS, MPS and MPS (platform)
- Defaqto: 4-diamond rating for the MPS, PMPS and PMPS (passive)
- Defaqto: 3 – diamond rating for the RIS MPS (platform)
- Defaqto: 4 – diamond rating for the DCF (absolute return)
- Defaqto: 5-diamond rating for the CAM and CAM (passive) (risk targeted fund family)
- Defaqto: 4-diamond rating for the CAM (blended), CAM MPS and CAM (passive)
- Defaqto: 5-diamond rating for the MAF (risk focused fund family)
- Defaqto: 5-diamond rating for the MAF Balanced (absolute return)
- Defaqto: 5-diamond rating for the MAF Cautious Growth (absolute return)
- Defaqto: 5 diamond rating for the MAF Defensive Income Growth (absolute return)
- Defaqto: 5 diamond rating for MAF Strategic Growth (absolute return)
- PAM 50 Most Influential 2021 (Caroline Connellan)



Past performance is not a reliable indicator of future results.

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