

Final results

for the 12 months ended 30 June 2018

Caroline Connellan, Chief Executive

Ben Thorpe, Finance Director



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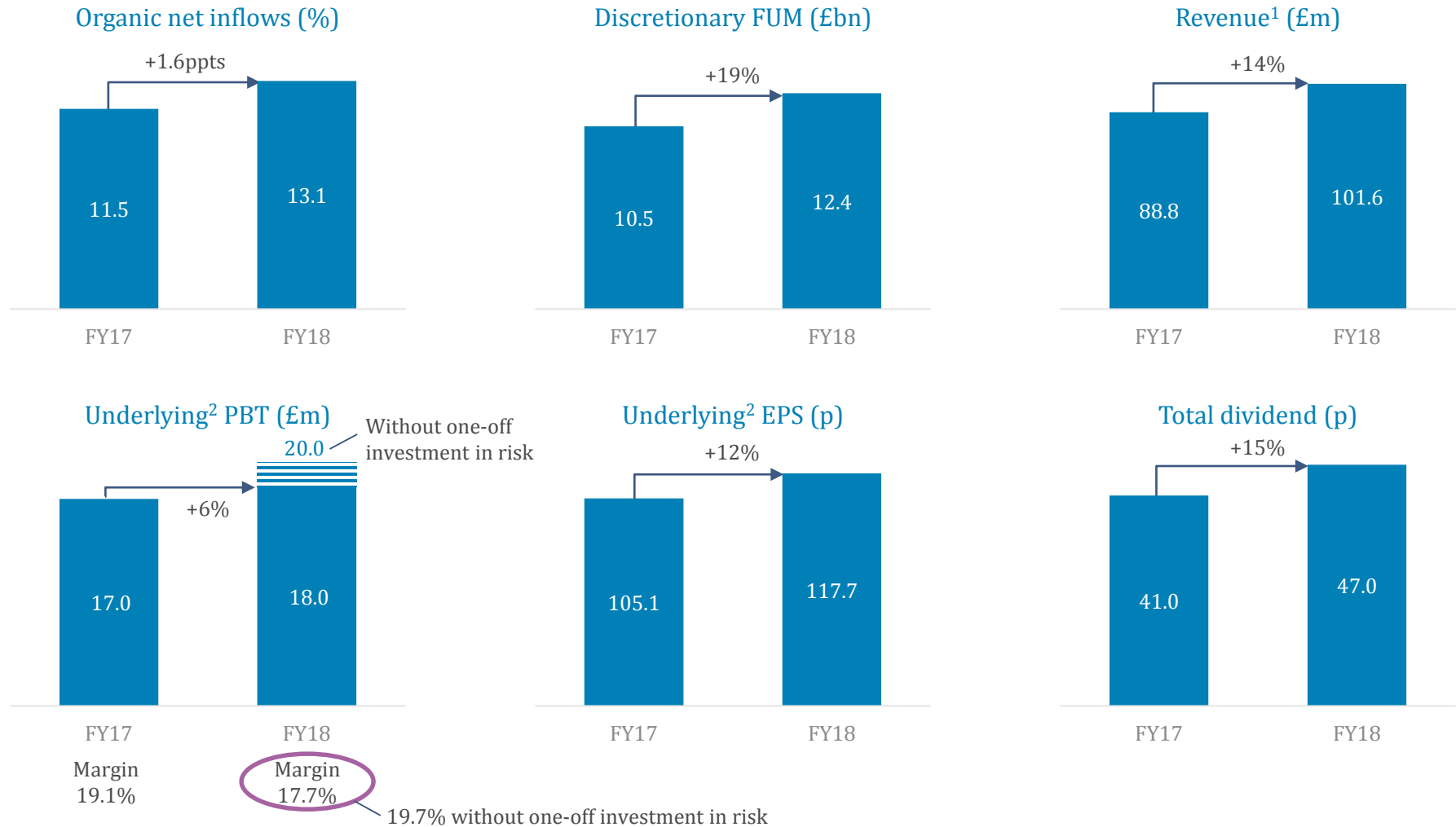
Caroline Connellan

Chief Executive



BROOKS MACDONALD

Highlights – market leading flows, crossed £100m revenue threshold



1 Continuing operations

2 Excludes acquisition/disposal costs, finance costs of deferred consideration, changes in fair value of deferred consideration, amortisation of non-software intangible assets, and discontinued operations

Ben Thorpe
Finance Director



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FUM continuing to grow rapidly



	Year to June '14	Year to June '15	Year to June '16	Year to June '17	Year to June '18
Growth	28.2%	13.2%	12.0%	25.9%	18.7%
Net new business	14.7%	9.8%	11.6%	11.5%	13.1%
Investment performance	13.5%	3.3%	0.3%	14.5%	5.7%
Increase in MSCI WMA Private Investor Balanced	6.0%	3.5%	5.0%	10.9%	4.2%



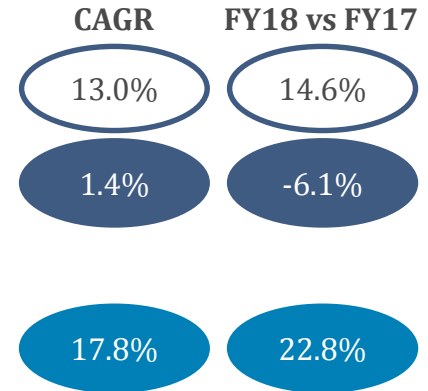
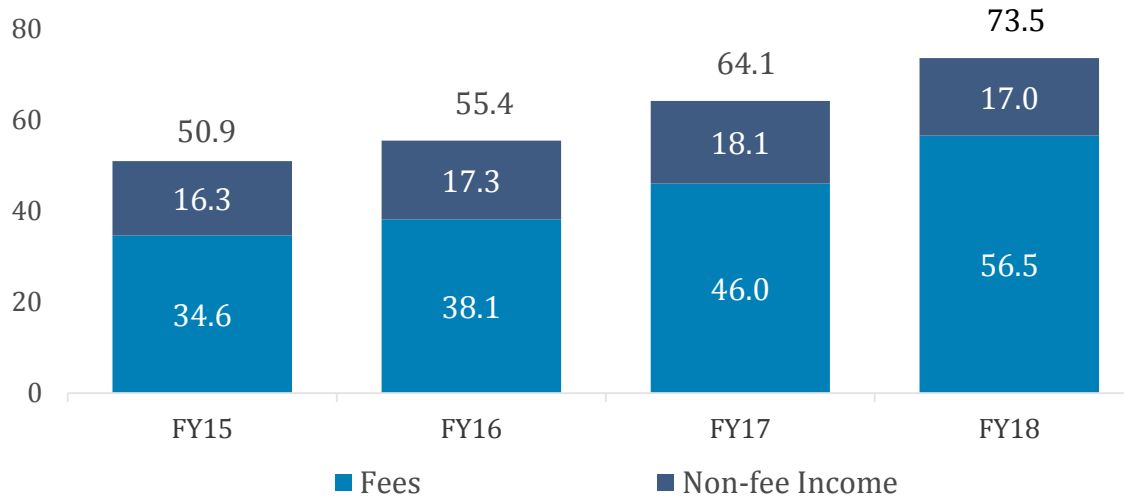
Organic growth reflecting strength of core offering and relationships

£m	2018				2017			
	Investment management	Funds	BMI	Total	Investment management	Funds	BMI	Total
Opening discretionary FUM	7,768	1,159	1,529	10,456	6,158	796	1,348	8,301
Net new business	913	355	98	1,365	643	290	17	951
Performance	507	22	66	594	968	72	163	1,203
Closing FUM	9,187	1,535	1,693	12,414	7,768	1,159	1,529	10,456
Organic growth %	11.8%	30.6%	6.4%	13.1%	10.4%	36.5%	1.3%	11.5%
Total growth %	18.3%	32.4%	10.7%	18.7%	26.2%	45.5%	13.4%	25.9%

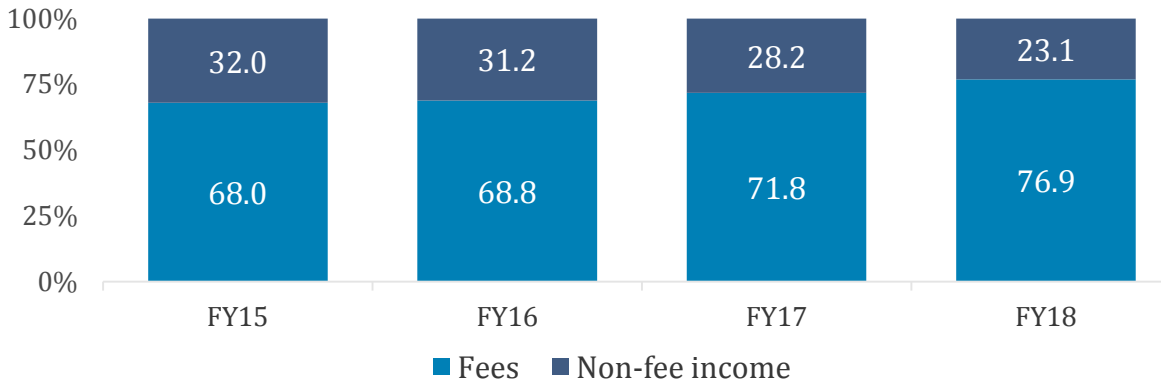
- Strong organic growth in UK Investment Management and Funds
- BMI net new business lower but up on last year
- Note on disclosure: From FY19 onward we will present UKIM and Funds as a combined entity, following completion of Funds' integration into UKIM

UK IM discretionary revenue growing strongly with improving quality

UK IM discretionary revenue (£m)

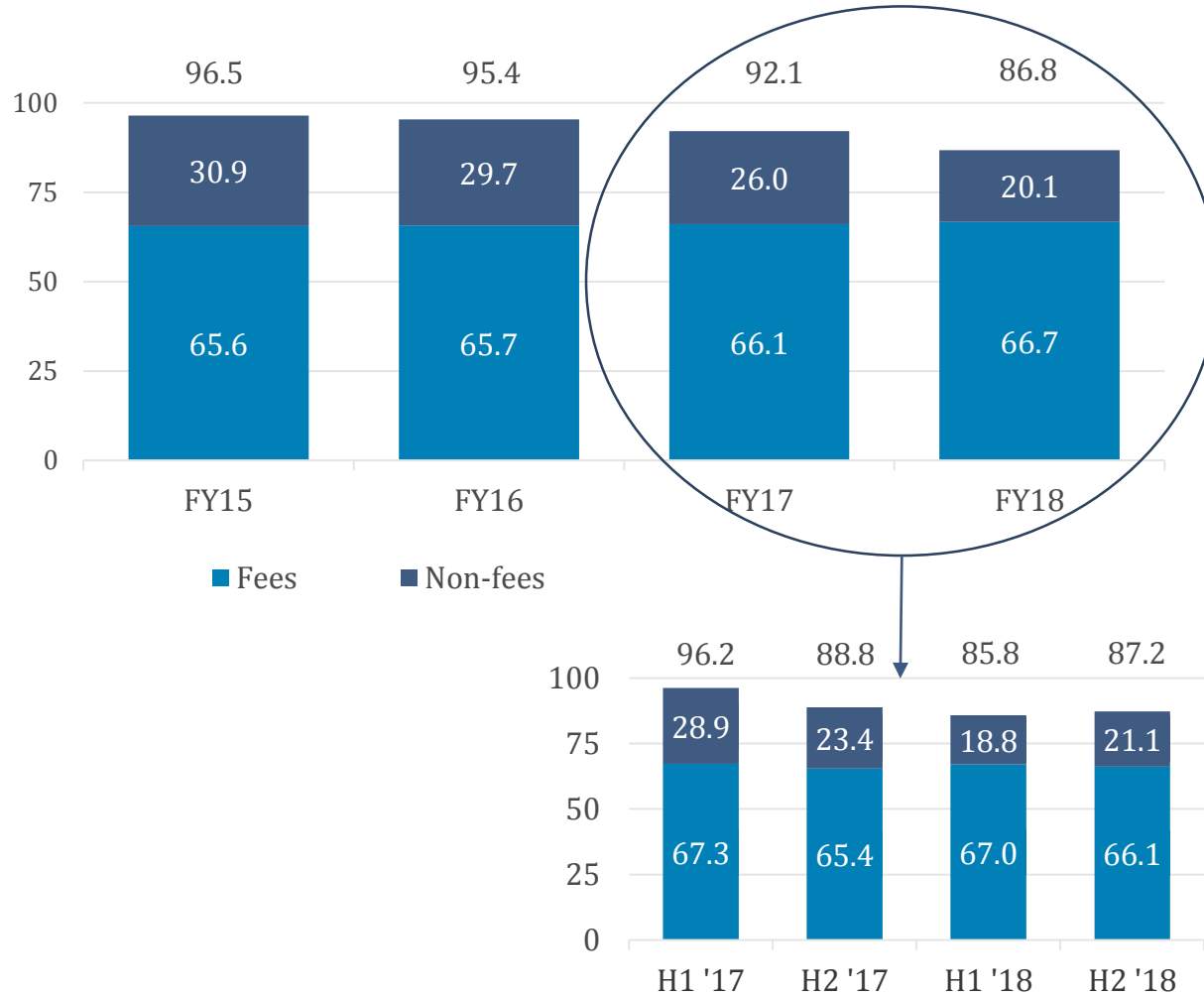


Proportion of UKIM discretionary revenue derived from fees (%)



UKIM discretionary revenue yield stabilised in FY18

UK IM revenue yield components (bps)



- Yield down FY18 vs FY17 but decline mostly in H2 '17, then levelling off with slight increase in H2 '18
- H2 increase driven by increased dealing volumes due to higher market volatility, coupled with an increase in interest income driven by base rate rises

Summary P&L

£m	FY18	FY17	% Change
Funds under management	12,414	10,456	18.7%
Revenue	101.6	88.8	14.4%
Total underlying costs	83.7	71.9	16.4%
Underlying profit before tax from continuing operations	18.0	17.0	6.1%
Underlying profit margin (%)	17.7%	19.1%	-1.4pts
Underlying basic EPS (p)	117.7	105.1	12.0%
Dividend per share (p)	47.0	41.0	14.6%

- All figures excluding Braemar Estates; underlying costs and profit figures now include impact of software amortisation
- Revenue over £100m for the first time
- Total Risk Management spend of £4m in FY18
 - £2m one off
 - £2m recurring
- Without one off investment, underlying profit margin would have been 19.7%
- Underlying EPS rose 12.0% partly driven by a reduced tax charge due to an R&D credit

Reconciliation of underlying profit to statutory profit

£m	FY18	FY17	% Change
Underlying profit before tax from continuing operations¹	18.0	17.0	6.1%
Exceptional costs of resolving legacy matters	(5.5)	(6.5)	
Software impairment	(2.5)	-	
Amortisation of client relationships	(2.4)	(2.5)	
Deferred consideration	(1.3)	2.0	
Disposal costs	(0.1)	-	
Goodwill impairment	-	(2.0)	
Profit before tax from continuing operations	6.2	7.9	(22.0)%
Tax	(1.3)	(2.2)	
Discontinued operations	0.5	0.1	
Profit after tax	5.4	5.8	(7.2)%

- No further increase to Channel Islands legacy issues provision following update at mid-year
- 75% of the clients receiving a goodwill offer have now accepted, with these acceptances accounting for 66% of the offers by value
- The Group's Pillar I capital requirement at 30 June 2018 is £15.8m, giving a calculated risk exposure of £197.3m. The Group's Common Equity Tier 1 Ratio is 15.4%

1. Throughout the presentation, unless otherwise specified, references to underlying measures (profit, eps, etc.) relate to continuing operations only

Underlying segmental results – FY18 vs FY17

FY18 £'m	UK Investment Management	Funds	Financial Planning	International	Group and central costs	Total
Revenue	74.9	7.8	4.6	14.1	-	101.6
Underlying profit before tax	17.8	3.1	0.0	1.4	(4.4)	18.0
Margin	23.7%	40.1%	0.0%	10.2%	-	17.7%
Annualised yield*	86.8bps	54.4bps	-	81.3bps	-	

FY17 £'m	UK Investment Management	Funds	Financial Planning	International	Group and central costs	Total
Revenue	65.7	5.5	5.0	12.6	-	88.8
Underlying profit before tax	19.9	0.5	0.3	0.4	(4.0)	17.0
Margin	30.3%	8.4%	5.4%	3.0%	-	19.1%
Annualised yield*	92.1bps	52.6bps	-	80.7bps	-	

- Strong revenue growth, particularly in Funds and UK Investment Management
- UK Investment Management margin in particular affected by costs of regulatory change and investment in our risk management and operational framework
- International achieved a strong uplift in margin driven by revenue growth and good cost control

* Yield calculation includes only discretionary investment management revenues and FUM within each segment

Investment programme – FY18 developments

Successful delivery of additional investment to support future growth and meet regulatory demands

- Improvements to risk management and operational framework, announced with last year's results, have progressed well with spend in line with expectations
 - £4m for FY18, of which £2m one-off project costs, £2m incremental recurring
 - Built functional capability, new COO joined in October 2017 and CRO in August 2018. Additional risk and compliance recruitment now complete
 - FY18 investment in risk management framework delivered, moving to embedding the framework into BAU activity
- Regulatory change:
 - MiFID II and GDPR successfully delivered, combined IT software investment over £2m, increased from £1m originally expected, as updated at half year
 - Other regulatory projects ongoing incl. requirements of IFPRU significant status, preparation for SMCR
- Continued disciplined management of overall change portfolio to offset increased regulatory spend where possible. Rigorous prioritisation of projects based on expected payback
- FY18 total software investment of £5m, with the £1m additional spend on MiFID II and GDPR adding to the £4m run rate
- Ongoing IT software investment c.£3-4m p.a. Focus now turning to delivering our strategy, emphasis on payback and continued cost discipline

Caroline Connellan

Chief Executive



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Well positioned to build on our success to date and deliver future growth while progressively improving margins

Our strategy is based on three pillars – foundation, focus and growth

Build on a foundation of success

Track record of success, continue to leverage our strengths

- Strength of relationships and strategic partnerships
- Client-centric, “can do” culture
- Service to clients and intermediaries
- Strong Centralised Investment Process (CIP)

Focus our business to deliver increased value

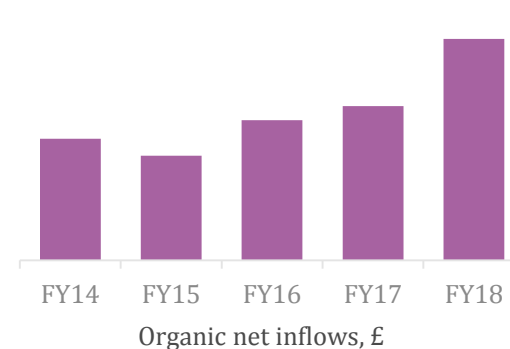
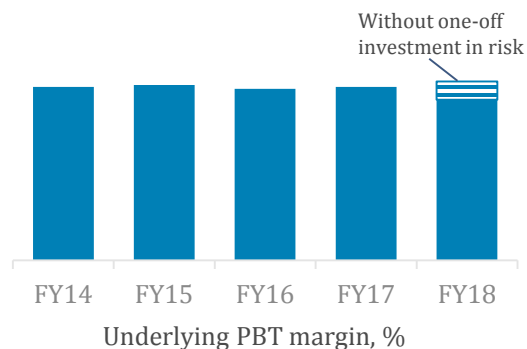
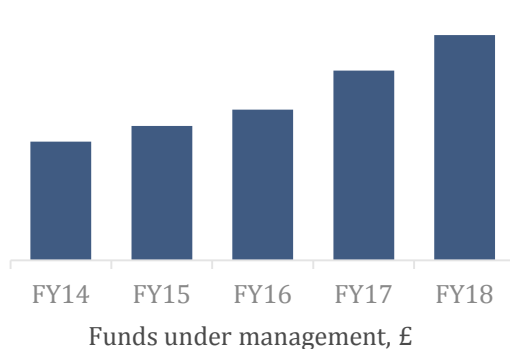
Strive for efficiency and effectiveness, deliver improved profit margins over the medium term

- Easy to do business with
- Technology and digital
- Robust risk management
- Scalable operating model
- Talent and succession

Seek new opportunities for growth

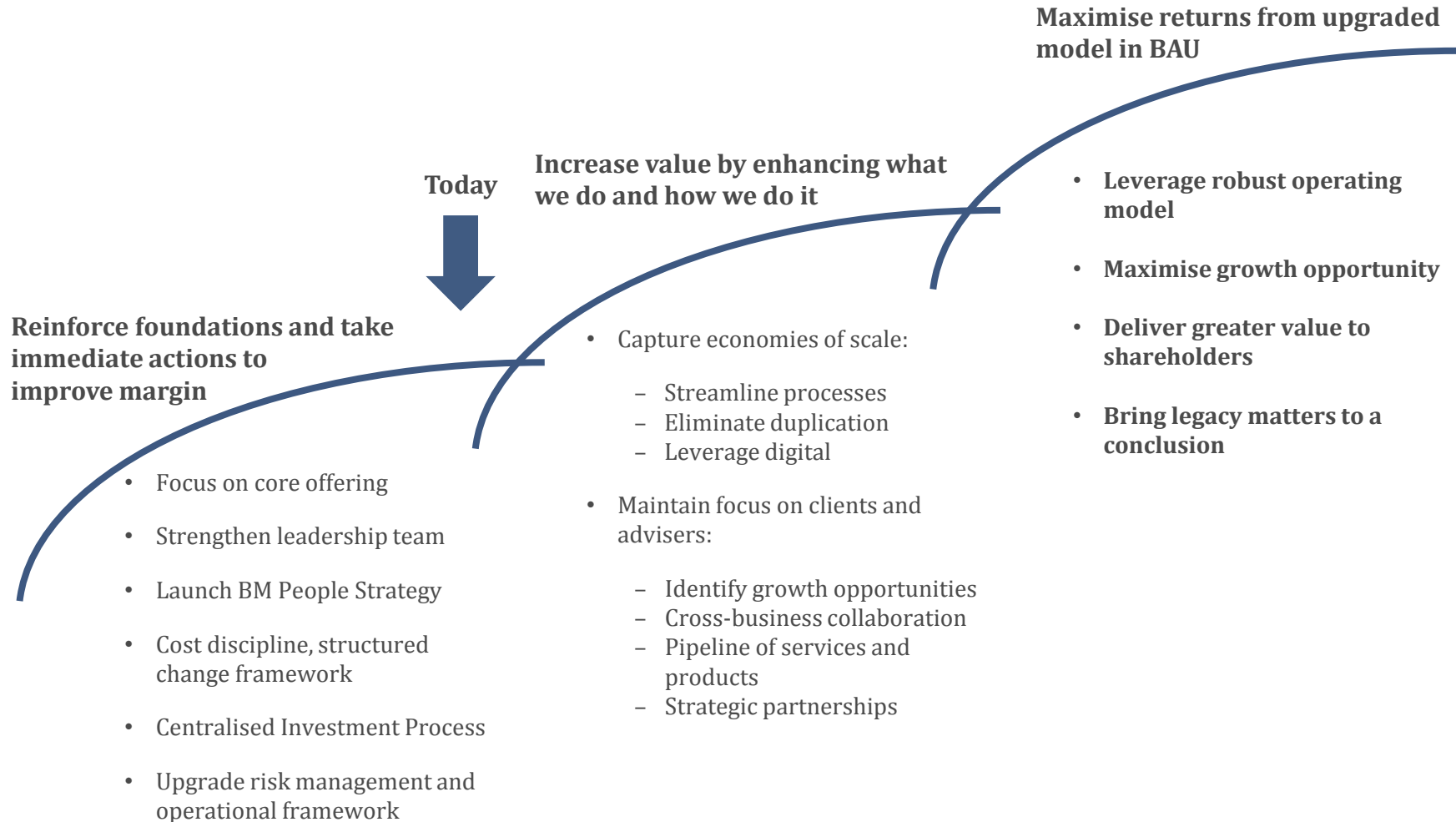
Continue to grow FUM organically with new segments, propositions and partnerships

- Strong branding and reputation
- Leverage our core capabilities and relationships
- Cross-business collaboration, bringing ‘best of BM’
- Selectively expanding UK geographic footprint



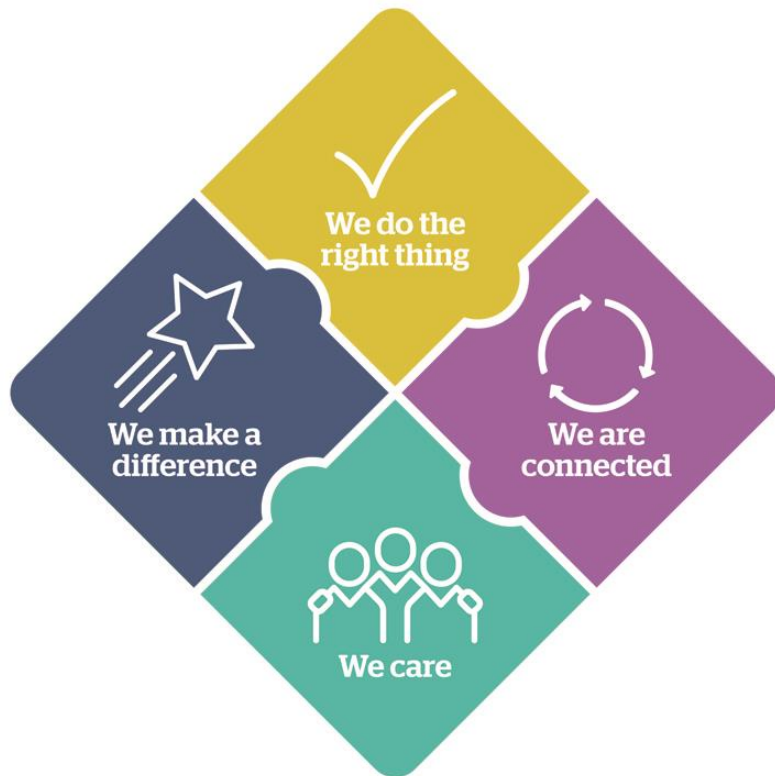
Delivering our strategy: we have made good progress but more to do

Delivery over several phases, emphasis across pillars changing over time



Our guiding principles underpin our strong client-centric, “can do” culture – now rolling out across our key people processes

Our guiding principles



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

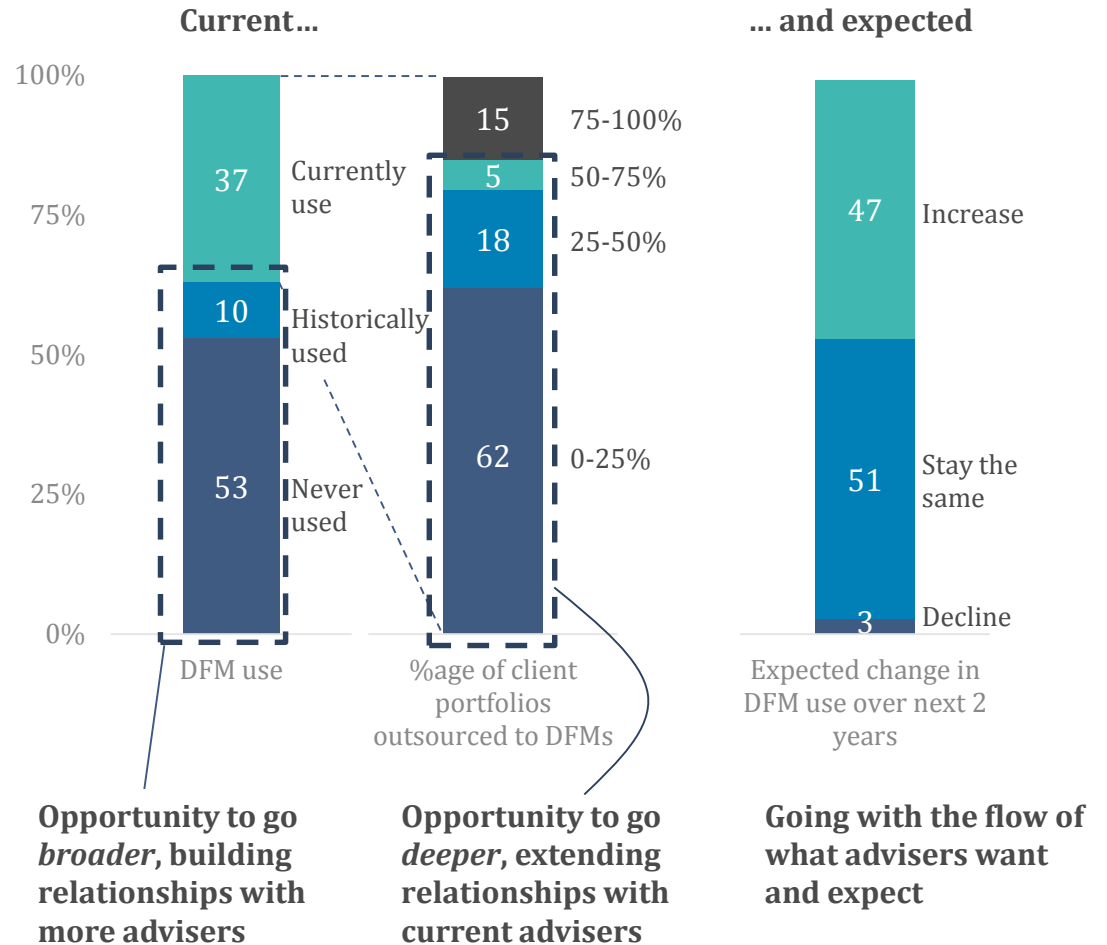
- We focus on delivering value for clients, advisers, partners and shareholders
- We are ambitious and constantly strive to be the best at what we do
- We innovate, learn from our actions and actively gather feedback to improve
- We develop our skills and nurture our relationships to ensure we remain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

The fundamental opportunity remains strong

Underlying market trends positive:

- Increasing numbers of IFAs looking to outsource investment management, supported by regulatory and commercial trends
- Demographic trends remain supportive to wealth management
- Increasing onus on individuals to save for retirement; pensions freedoms driving need for advice
- Growing need and demand for advice in the market, opportunities for our Financial Planning offering


The adviser opportunity



Source: UK IFAs, Investment Managers and Platforms 2017 (GlobalData)



We are well positioned to benefit in the current environment

- Macroeconomic uncertainty – trade wars, Brexit – having impact on markets and client sentiment
 - Increasing scrutiny of Defined Benefit scheme transfers, with some IFAs stepping back
 - Busy regulatory agenda – e.g., SMCR, Asset Management Market Study, MiFID II “ex post” reporting requirement to take effect in January
- 
- Likely to drive a flight to quality, favouring long-term investment performance and personalised client service
 - Market need remains substantial and industry will adapt, will favour providers with expertise and long-term investment performance
 - Opportunity to demonstrate value of our proposition to clients and advisers

We remain confident of capturing the opportunity with our market positioning and business model

We have delivered in FY18 and remain confident of the future and our ability to achieve greater value from our growth

Delivered in FY18

- Strong FUM growth, particularly high net inflows
- Above benchmark investment performance
- Continuing revenue growth, now over £100m, with focus on core business and improving quality of earnings
- Successful delivery of additional FY18 investment; met regulatory demands
- Taken initial steps to enhance offering and improve margin, supported by renewed cost discipline
- Dividend increase reflecting strength of underlying business

Confidence in the future

- Attractive and growing market opportunity
- Positioning of business underpinned by:
 - Reputation and strength of relationships
 - Consistent investment performance driven by Centralised Investment Proposition
 - Client-centric “can-do” culture and quality of product proposition and service
- Progress made in delivery of strategy; work progressing to capture new growth opportunities, become easier to do business with and deliver increased value

Strongly positioned to deliver further growth in FUM and revenue across all businesses, driving greater efficiency and progressively improving margins over the medium term

Appendices



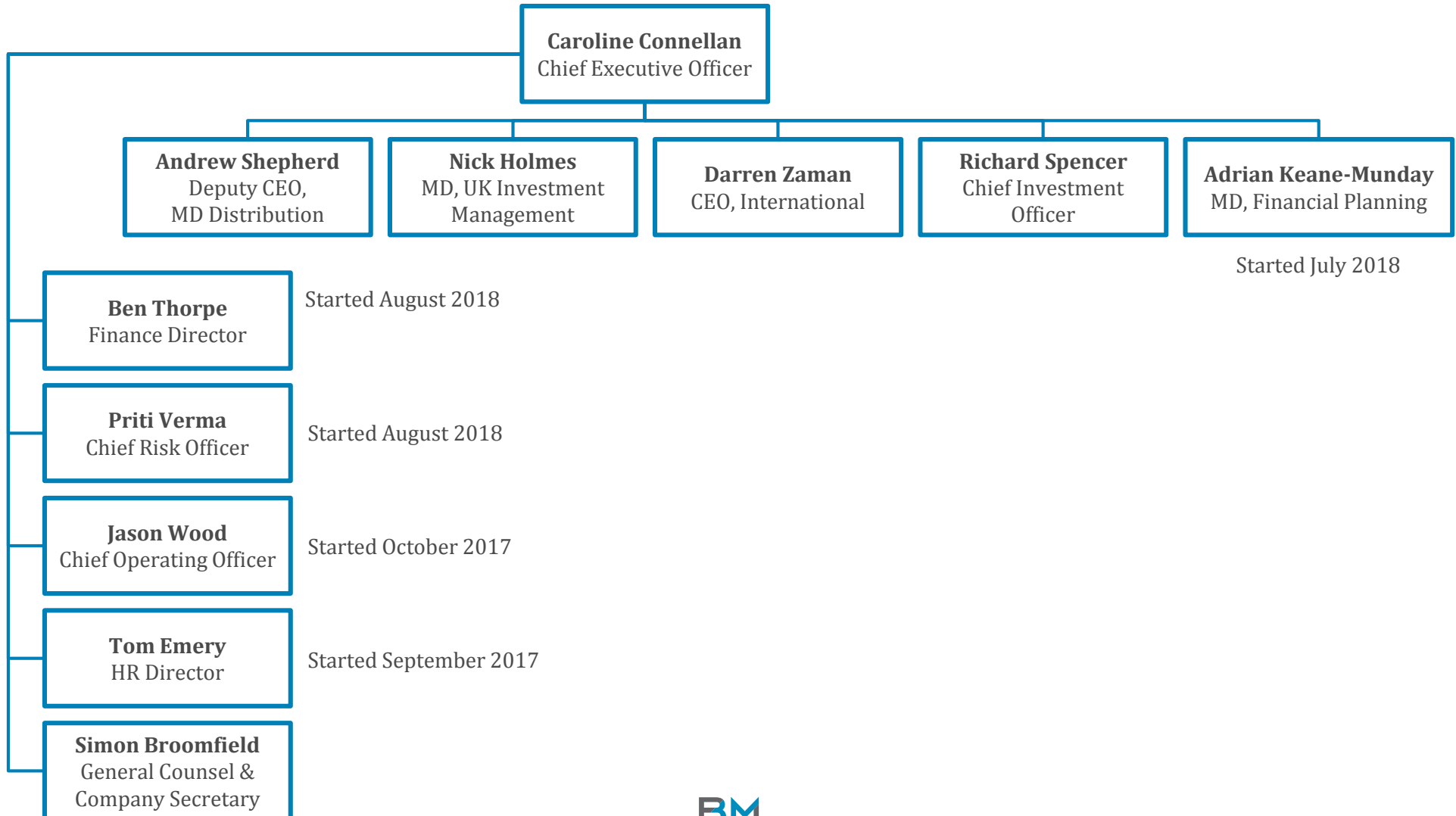
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Appendices

- Leadership team
- Legacy matters
- Cash bridge
- EPS and dividend growth
- Asset allocation
- Investment performance
- Industry recognition

Leadership team

Leadership team now complete, bringing functional capability to complement client focused leadership and investment expertise

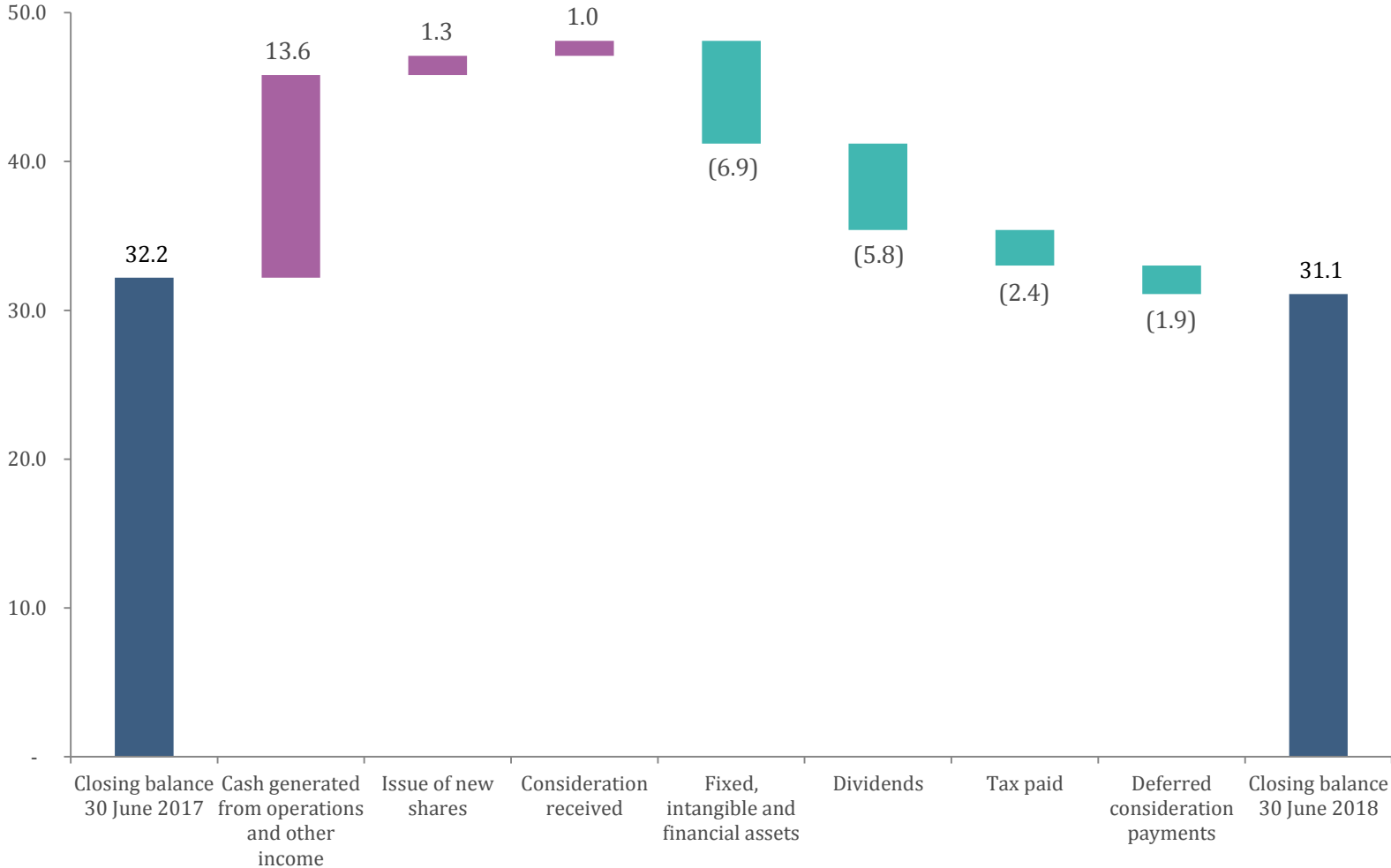


Legacy matters

- £6.5m provision announced July 2017 to deal proactively with certain legacy matters arising from former Spearpoint business (acquired 2012) relating to some discretionary portfolios formerly managed by Spearpoint, now managed by our Jersey office, and a Dublin-based fund, for which Spearpoint acted as investment manager
- No legal liability accepted but deeply committed to treating customers fairly and seeking to protect our clients' best interests; accordingly developed a plan to resolve those matters
- On the discretionary portfolios, it became apparent that offer calculations were affected by quality issues in data derived from legacy systems. After review, final offer letters were issued by end of March 2018
- Effect of movements in the expected total cost of goodwill offers and associated expenses was an increase of £5.5m from the previous provision to £12.0m, providing for the additional amount as an exceptional item
- To date, 75% of clients who received goodwill offers have accepted, accounting for 66% of the offers by value
- In parallel, extensive discussions with the Board of the Dublin-based fund
 - Goodwill proposal made to the directors of the fund in October 2017
 - Made some progress but have been unable to reach agreement yet
 - Remain committed to reaching a settlement on terms in line with initial proposal
- We continue to be in discussions with all relevant stakeholders, including regulators

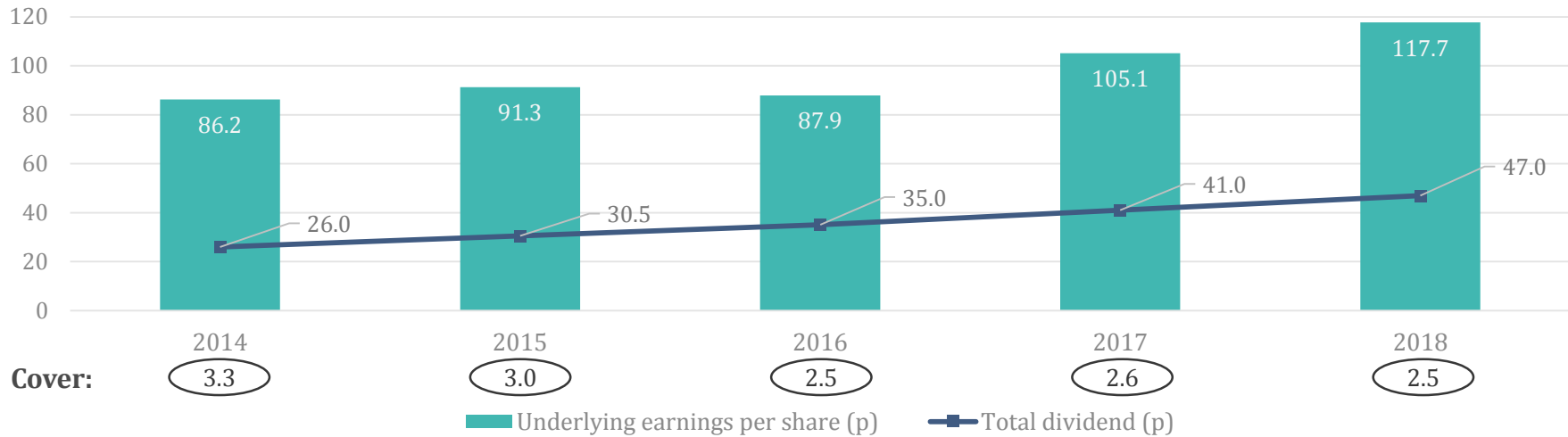
Cash flow bridge

FY18, £m

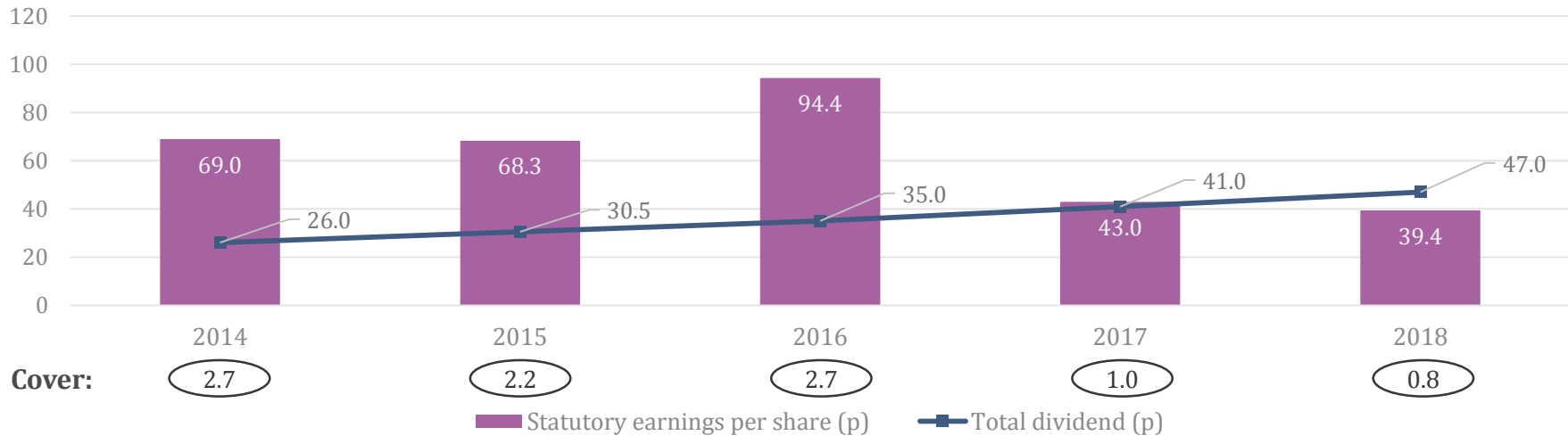


Underlying and statutory earnings per share and dividend

Underlying



Statutory



Asset allocation

Current guidance portfolios – September 2018

The investment managers' tolerance limits: +/- 3% +/- 5% +/- 7%

	Low	Low to Med	Medium	Med to High	High
UK FI	28	17	11	3	0
INT FI	17	11	3	2	0
UK Eq	7	14	20	25	29
North American Eq	2	8	12	16	19
Euro Eq	0	3	6	9	10
Japan, FE & Em Eq	0	3	8	14	17
Int & Thematic	9	12	15	20	22
Alternatives	11	10	8	4	2
Property	2	2	2	2	0
Structured Return	15	13	10	4	0
Cash	9	7	5	1	1
	100	100	100	100	100

Our performance vs. ARC's Private Client Index

- Over the last five years, BM has generally achieved strong relative performance compared to the ARC PCI.

		Rolling 12 months performance (%)					Cumulative performance (%)		
		12 mths	12 mths	12 mths	12 mths	12 mths	YTD	3 year to	5 year to
		to	to	to	to	to			
		30.06.14	30.06.15	30.06.16	30.06.17	30.06.18			
Low Risk	BM Low Risk	5.99	3.56	1.86	8.48	1.97	0.10	12.67	23.67
	ARC Sterling Cautious PCI	4.32	3.63	1.26	6.53	1.42	-0.51	9.39	18.27
	Relative performance	1.66	-0.07	0.60	1.95	0.55	0.61	3.28	5.40
Low-to-Medium Risk	BM Low-to-Medium Risk	6.67	5.30	1.25	12.11	4.12	0.90	18.19	32.76
	ARC Sterling Balanced Asset PCI	6.16	4.71	1.59	10.57	2.98	0.00	15.68	28.59
	Relative performance	0.51	0.59	-0.34	1.54	1.14	0.90	2.51	4.16
Medium Risk	BM Medium Risk	7.24	6.51	0.15	16.03	6.19	1.44	23.40	40.95
	ARC Sterling Steady Growth PCI	7.38	5.24	2.49	14.41	4.92	0.78	23.02	39.02
	Relative performance	-0.14	1.26	-2.34	1.63	1.27	0.67	0.39	1.93
Medium-to-High Risk	BM Medium-to-High Risk	7.96	7.68	-0.17	20.45	8.63	2.15	30.63	51.86
	ARC Sterling Equity Risk PCI	8.87	4.79	3.01	17.05	6.36	1.34	28.23	46.29
	Relative performance	-0.90	2.88	-3.17	3.41	2.27	0.80	2.40	5.56
High Risk	BM High Risk	9.68	7.69	0.06	23.23	10.05	2.50	35.70	60.28
	ARC Sterling Equity Risk PCI	8.87	4.79	3.01	17.05	6.36	1.34	28.23	46.29
	Relative performance	0.81	2.90	-2.94	6.19	3.69	1.16	7.47	13.99

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 no guide to future performance. All performance figures are net of underlying fund charges and Brooks Macdonald management fees but gross of professional adviser management fees. Deduction of these fees will impact on the performance shown.

Source: Brooks Macdonald, ARC

Recent awards

2018

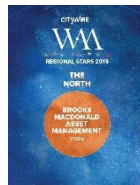
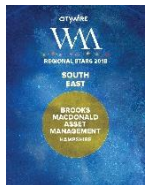
- Citywire Wealth Manager: Regional Stars (The North, Midlands and South East)
- PAM: Top 40 Under 40
- PAM: 50 Most Influential
- Citywire Wealth Manager: Top 30 Under 30
- Defaqto: 5 star rating for MPS, BPS and MPS platform
- Defaqto: Gold Standard for DFM Service

2017

- Professional Paraplanner: Best Outsourced Investment Provider
- City of London Wealth Management: Wealth Manager of the Year
- Citywire Wealth Manager: Top 30 Under 30
- Citywire Wealth Manager: Regional Stars (Midlands and South East)
- Defaqto: 5 star rating for MPS, BPS and MPS platform
- Defaqto: Gold Standard for DFM Service
- Financial Times: 5 star rating for Financial Adviser Service
- Financial Times: Investment Adviser 100 Club
- Incisive Media Gold Standard: Awarded the Gold Standard for Discretionary Fund Management
- PAM: Top 40 Under 40

Brooks Macdonald services have achieved a 5 Star Rating in every category of DFM Rating produced by Defaqto.

Past performance is not a reliable indicator of future results.



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