



BROOKS MACDONALD 
Group plc

Half Year Results for the six months ended 31 December 2015

Chris Macdonald, Chief Executive, Simon Jackson, Finance Director & Andrew Shepherd, Deputy Chief Executive

THE SUNDAY TIMES
100
BEST COMPANIES
TO WORK FOR
2015

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Highlights

Financial

Total discretionary FUM up to £7.82bn

Underlying pre-tax profit up 6% to £7.13m

Underlying EPS up 3% to 42.59p

Interim dividend up 20% to 12p

Pre-tax profit up 22% to £5.48m

EPS up 22% to 32.44p

Business

5.3% organic growth in FUM

BMAM, BMI and BMF all grew FUM

Impact of advisory to discretionary at BMI

Continued investment in infrastructure

Deferment of 2 Fund launches to 2nd half

Significant growth in distribution and capacity

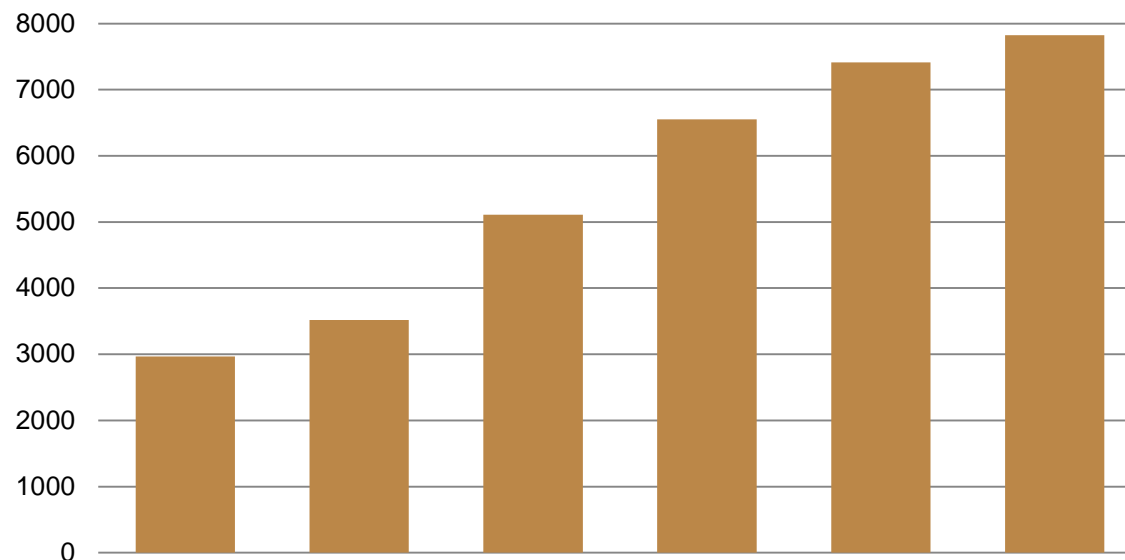
Asset growth across the Group

Discretionary Funds Under Management	Dec 2015	June 2015	Dec 2014
AM	£5.83bn	£5.59bn	£5.24bn
BMI	£1.25bn	£1.16bn	£1.16bn
Funds	£739m	£663m	£550m
TOTAL	£7.82bn	£7.41bn	£6.95bn

	Dec 2015	June 2015	Dec 2014
Property AUA	£1.13bn	£1.14bn	£1.09bn
Third Party AUA	>£270m	>£255m	>£225m

Continued FUM growth in core asset management businesses

Discretionary funds under management (£m) for last 5 years



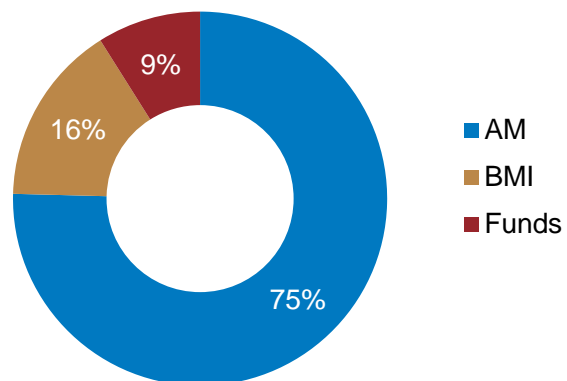
	Year to June 11	Year to June 12	Year to June 13	Year to June 14	Year to June 15	Half Year to Dec 15
Total BM FUM (£m)	2,969	3,520	5,110	6,550	7,413	7,822
% Increment	35.8	18.6	45.0	28.2	13.1	5.52
% FTSE WMA Balanced (Previously APCIMS Balanced)	14.04	(2.0)	9.8	6.2	3.74	(0.75)

Analysis of discretionary fund flows

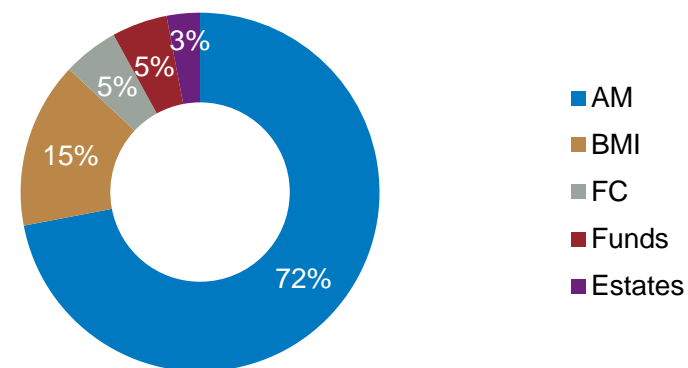
£m	6 months to Dec 2015	Year to June 2015	6 months to Dec 2014
Opening discretionary FUM	7,413	6,550	6,550
Net new discretionary business	394	645	238
Acquisitions	-	-	0
Investment growth	15	218	165
Total FUM growth	409	863	403
Closing FUM	7,822	7,413	6,953
Organic growth (net of markets)	5.3%	9.8%	3.7%
Total growth	5.5%	13.2%	6.2%
Outstanding new business at half year end	666	608	687

Analysis of discretionary funds under management HY16

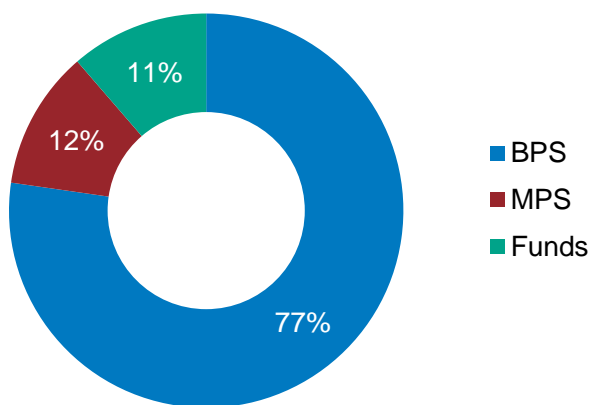
Funds under Management



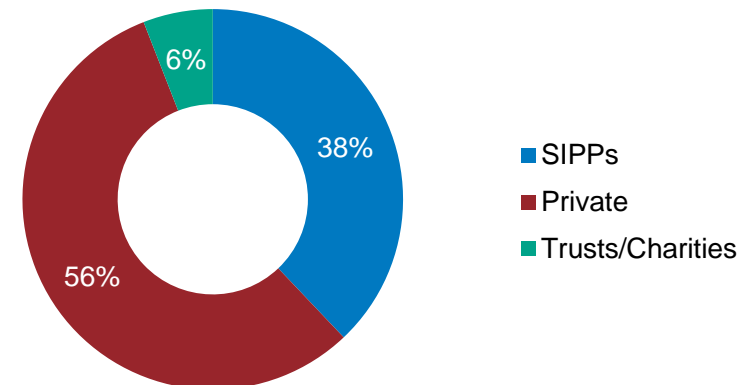
Revenue



Service



Clients (BMAM)



Continued growth in distribution and capacity

	June 2011	June 2012	June 2013	June 2014	June 2015	Dec 2015
Number of introducing firms ¹	241	420	544	670	775	900
Number of strategic alliances	9	11	12	15	17	17
Investment managers and trainees	56	67	90	107	102	102
Total staff numbers	248	282	376	457	471	474

¹ Introducing into BMAM, BMI and BMF

- ★ Strong growth in number of firms
- ★ Focus on wider and deeper
- ★ Pipeline for strategic style relationships encouraging
- ★ Strong pipeline in South Africa

Financial highlights

	HY16	HY15	% Change
Revenue	£38.70m	£37.50m	3%
Underlying profit before taxation*	£7.13m	£6.72m	6%
Profit before taxation	£5.48m	£4.48m	22%
Underlying earnings per share*	42.59p	41.25p	3%
Basic earnings per share	32.44p	26.63p	22%
Interim dividend	12.0p	10.0p	20%
Cash at bank	£15.43m	£11.77m	31%

**Adjustments are in respect of amortisation of intangible assets, the costs and financing of deferred consideration and acquisition costs (HY16 £1.65m, HY15 £2.24m)*

Underlying profit before tax

£'000	HY16	HY15	% Change
Investment Management fee income	31,678	30,793	3%
Fees from other advisory services and other income	5,590	5,039	8%
Commission income	57	155	(63%)
Pre RDR payments to introducers	1,373	1,516	(9%)
Underlying operating income	38,698	37,503	3%
Underlying operating expenses	(30,926)	(30,933)	0%
Net investment income	(637)	(149)	(528%)
Underlying profit before tax	7,135	6,719	6%
Underlying profit margin*	18.4%	17.9%	

* Underlying profit before tax divided by underlying operating income

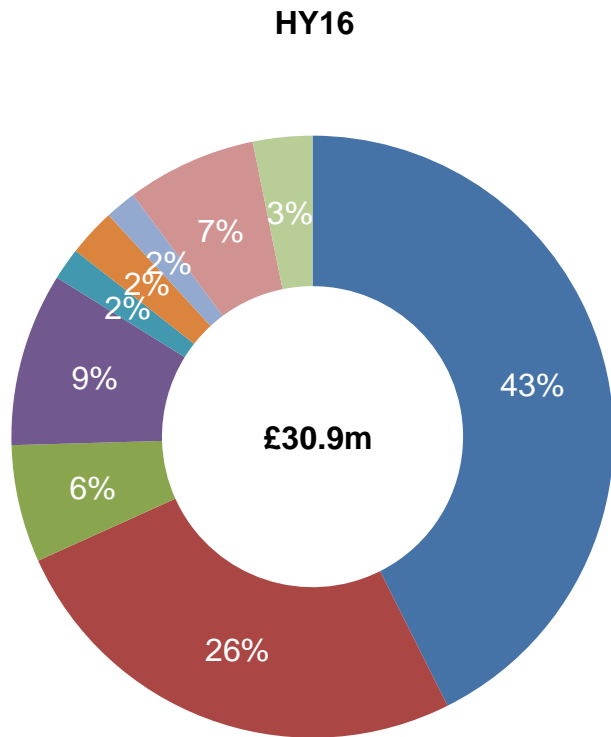
Underlying segmental results

HY16 £'000	Investment management	Financial planning	Funds* and property management	International	Group and central costs	Total
Revenue	27,798	2,039	3,114	5,747	-	38,698
Underlying profit	9,155	(12)	(1,045)	532	(1,495)	7,135
Margin	32.9%	(0.6%)	(33.6%)	9.3%	-	18.4%
Annualised discretionary yield	98bps	-	*56bps		-	
✳ NRC impairment and losses			£(450)			
✳ Transactional income				£(600)		
✳ Student fund impairment					£(174)	
HY15 £'000	Investment management	Financial planning	Funds* and property management	International	Group and central costs	Total
Revenue	25,948	1,987	2,812	6,897	-	30,793
Underlying profit	7,225	(49)	(435)	902	(924)	6,719
Margin	27.9%	(2.6%)	(15.6%)	13.1%	-	17.9%
Annualised discretionary yield	101bps	-	*60bps		-	
✳ Deferred consideration adjustment (prior year)					£286	

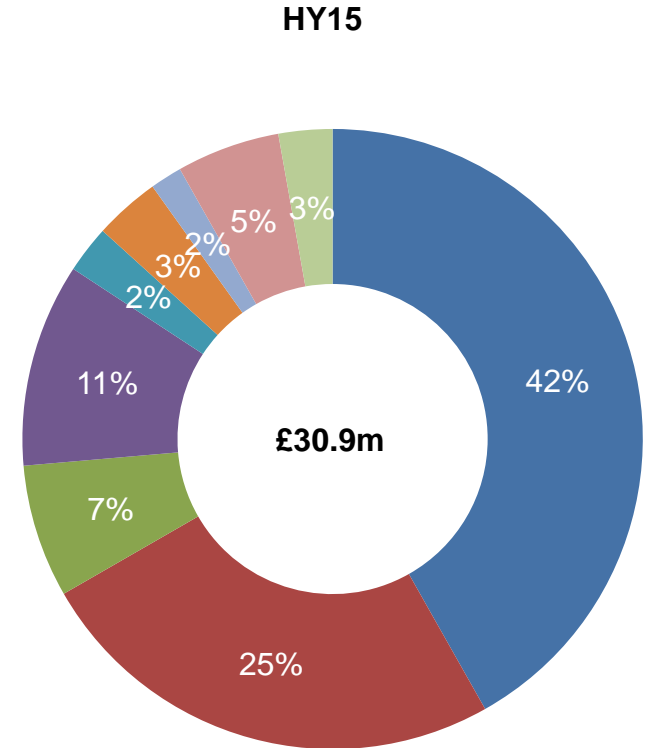
Operating expenses

£'000	HY16	HY15	% Change
Fixed staff costs	13,174	12,934	2%
Variable staff costs	7,931	7,693	3%
<i>Average employees in period</i>	480	465	3%
<i>Actual employees at period end</i>	474	464	2%
Other direct expenses	9,821	10,306	(5%)
Underlying operating expenses	30,926	30,933	0%
Amortisation charges in relation to client relationships & software	1,361	1,345	
Finance costs of deferred consideration	292	469	
Changes in fair value of deferred consideration payments	-	302	
Transaction costs on acquisition	-	120	
Net investment loss/(income)	637	(149)	
Total net costs	33,216	33,020	1%

Underlying operating expenses



- Staff costs - payroll (fixed)
- Staff costs - other (variable)
- Commission & fees
- ICT
- Investment administration
- Professional, regulatory & financial
- Depreciation & amortisation
- Property & office
- Sales & marketing

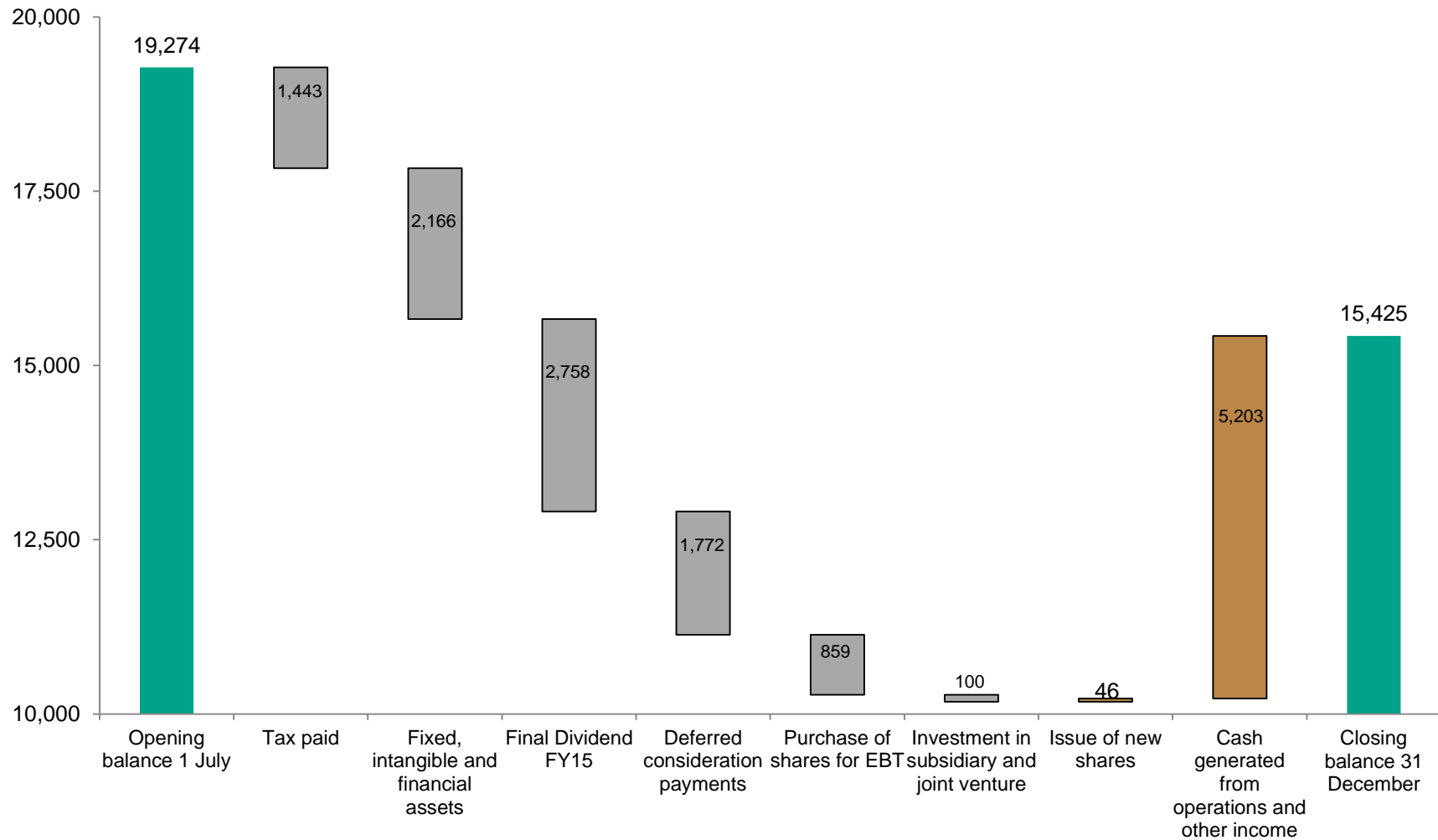


IT investment – new Wealth Management system

£'000	Total est	Est FY17	Est H216	H116	FY 2015
IT investment	£5.3m	£1.0m	£1.7m	£1.3m	£1.3m

- ✦ The projected investment has increased from £4.7m to £5.3m
 - Increased scope over MiFID II and changes to CASS rules during the project
 - Enhanced development over and above the 'out of the box' product
- ✦ The project, due to the increased scope, will now be completed by the end of the year an extension of 2 months
- ✦ Once complete we would expect annualised operational cost savings of around £0.75m across the Group
- ✦ We have already launched the new client portal, the Sales & Marketing CRM and BMI will go live at the end of May 16
- ✦ The system is mainly for the investment management division of Group but elements will also be used by Funds and potentially Financial Planning

Cash bridge



Analysis of balance sheet

£m	HY16	HY15
Assets		
Cash	15.43	11.77
Accrued income and other assets	24.15	23.48
Property plant and equipment	3.56	2.66
Intangible assets	65.5	65.56
Total assets	108.64	103.47
Liabilities		
Trade payables and accruals	(15.02)	(14.32)
Current tax liabilities	(1.49)	(0.7)
Deferred consideration on acquisitions	(12.35)	(15.26)
Deferred tax and other liabilities	(4.31)	(5.01)
Total liabilities	(33.17)	(35.29)
Net assets	75.47	68.18
Total equity	75.47	68.18

Strategies for growth

- ✦ To be the discretionary fund manager of choice for professional intermediaries and private clients on and offshore
- ✦ Focussing on consistency, in:
 - Managing money in a highly disciplined manner and delivering strong risk adjusted returns
 - Servicing Clients and Intermediaries with high quality technological delivery
 - The same company and staff looking after Clients over the long term
- ✦ To increase Introducer numbers both on and offshore
- ✦ To increase penetration in our existing Introducers
- ✦ To grow our reputation for being the DFM partner of choice for professional intermediaries
- ✦ To be known for personal service, quality, and culture and ethos

Our strategies for growth remain organic, organic investment, service and brand development

Industry background, our positioning and the key drivers for growth in FY16

Industry Background

Continuing consolidation and acquisition opportunities

Continuing trend towards outsourcing investment management

Pricing has stabilised

MiFID II deferred for 12 months

Our Positioning

Taking advantage of growth in professional adviser community:

- Wider and deeper relationships
- Telephone support
- Launch of new CRM system

Bringing Funds and Asset Management closer together

'Masterbrand' project

Key Growth Drivers

SIPPs remain substantial area of growth, but legislative changes not helpful

BPS and MPS both gaining traction – MPS accepted medium for smaller retail clients on platforms

Development of distribution model offshore – focus on 'DFM'

Focused on driving growth in funds under management

Outlook & conclusions

- ★ Good progress in H1: strong organic growth and risk adjusted returns for clients despite difficult markets
- ★ Continued to see strong organic growth in the early weeks of the second half
- ★ Fall in markets since the New Year is likely to impact FUM since the period end
- ★ Continued conversion of BMI's advisory to discretionary assets in second half
- ★ Benefit of year on year growth of FUM and significant projects to drive future growth
- ★ We remain in a strong position to deliver FUM growth through a combination of performance, service and distribution, enhanced going forward by technology.

“Overall subject to market conditions, we expect to make further progress for the year as a whole”

Appendices

A scenic sunset over a body of water. The sun is low on the horizon, creating a bright orange and yellow glow that reflects on the water. The sky is filled with soft, wispy clouds. In the background, there are dark, silhouetted mountains. In the foreground, several large, dark rocks are scattered in the shallow water.

Brooks Macdonald Asset Management Limited

Bespoke Portfolio Service Performance vs ARC Private Client Indices

Calendar years		Rolling 12 months performance (%)					Cumulative performance (%)		
		12 mths to 31.12.11	12 mths to 31.12.12	12 mths to 31.12.13	12 mths to 31.12.14	12 mths to 31.12.15	YTD	3 Year to 31.12.15	5 Year to 31.12.15
Low risk	BM Low Risk	-0.15	9.38	7.09	4.46	2.15	2.15	14.28	24.81
	ARC Sterling Cautious PCI	-0.53	5.77	4.97	3.98	1.25	1.25	10.52	16.27
	Relative performance	0.37	3.61	2.12	0.48	0.90	0.90	3.76	8.53
Low-to-medium risk	BM Low to Medium Risk	-2.38	9.41	10.23	5.12	2.96	2.96	19.31	27.44
	ARC Sterling Balanced Asset PCI	-2.94	7.73	9.24	4.51	1.87	1.87	16.31	21.61
	Relative performance	0.56	1.68	0.98	0.61	1.09	1.09	3.00	5.82
Medium risk	BM Medium Risk	-4.43	9.60	12.68	4.87	3.55	3.55	22.37	28.17
	ARC Sterling Steady Growth PCI	-4.23	8.87	12.50	4.68	2.26	2.26	20.42	25.55
	Relative performance	-0.20	0.73	0.18	0.20	1.30	1.30	1.96	2.63
Medium-to-high risk	BM Medium to High Risk	-7.48	10.06	14.67	4.77	4.58	4.58	25.65	27.95
	ARC Sterling Equity Risk PCI	-5.92	10.11	16.13	4.07	2.06	2.06	23.35	27.78
	Relative performance	-1.56	-0.05	-1.46	0.70	2.52	2.52	2.30	0.17
High risk	BM High Risk	-3.06	10.99	16.81	4.43	5.02	5.02	28.11	37.84
	ARC Sterling Equity Risk PCI	-5.92	10.11	16.13	4.07	2.06	2.06	23.35	27.78
	Relative performance	2.86	0.88	0.68	0.36	2.96	2.96	4.77	10.06

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

Source: BMAM and ARC

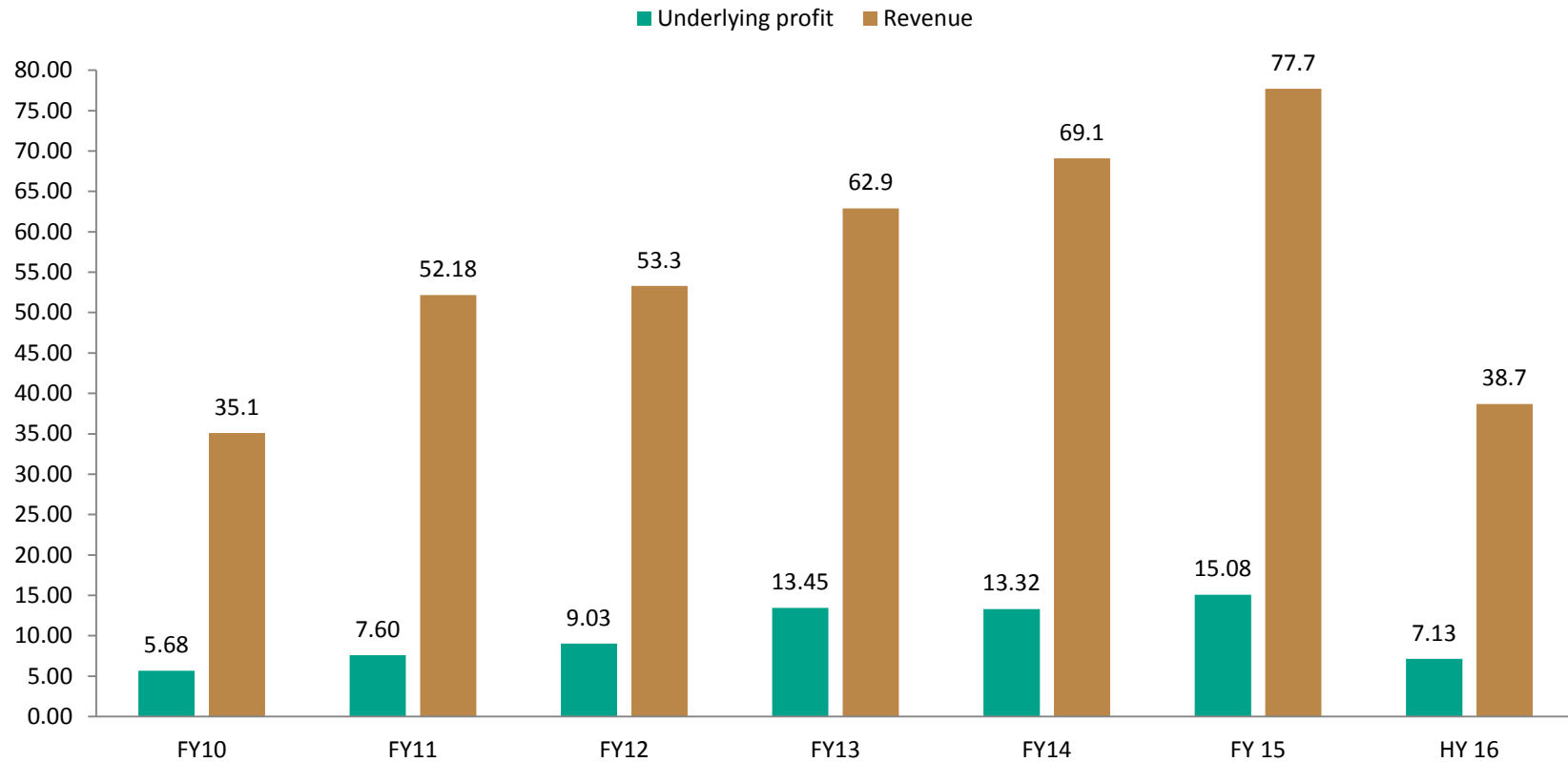
Asset allocation

Current Guidance portfolios – February 2016

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

	Low Income	Low Growth, Income & Growth	Low to Med	Medium	Med to High	High
UK fixed income	22	20	13	8	0	0
International fixed income	18	15	9	3	2	0
UK equities	14	14	21	28	33	37
North American equities	0	0	6	10	13	16
European equities	0	0	4	8	10	13
Japan, Far East & Emerging equities	0	0	5	10	14	16
International/Thematic equities	8	7	7	8	13	13
Alternatives	9	11	9	6	4	2
Property	11	11	10	6	4	0
Structured Return	11	15	10	10	4	0
Cash	7	7	6	3	3	3

Revenue and profits growth

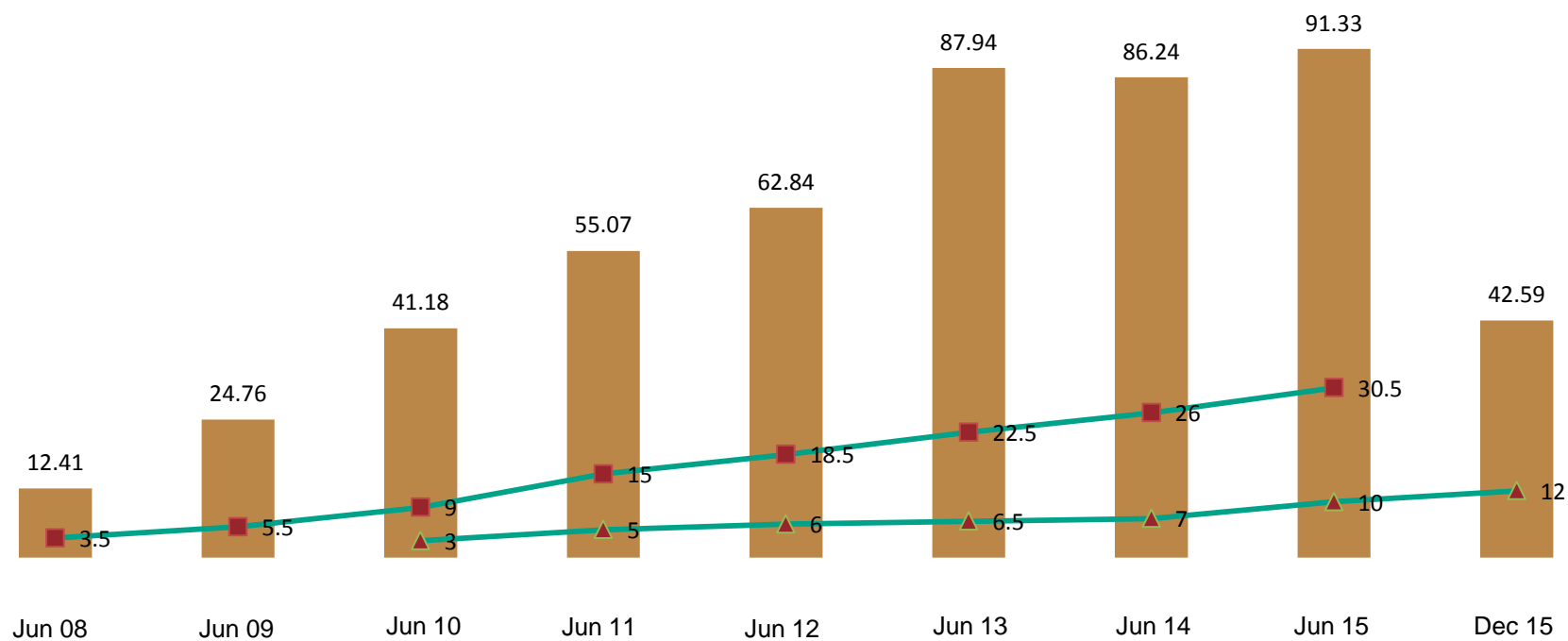


Underlying earnings per share and dividend growth

Underlying earnings per share (p)

Total Dividend (p)

Interim Dividend (p)



Recent awards & ratings



Contacts

Chris Macdonald
Chief Executive
72 Welbeck Street
London
W1G 0AY
T 020 7499 6424
D 020 7408 5597
F 020 7499 5718
E chris.macdonald@brooksmacdonald.com

Guy Wiehahn
Peel Hunt
Moor House, 120 London Wall
London EC2Y 5ET
T 020 7418 8893
F 020 7305 7087
E guy.wiehahn@peelhunt.com

Simon Jackson
Finance Director
72 Welbeck Street
London
W1G 0AY
T 020 7499 6424
D 020 7408 5541
F 020 7499 5718
E simon.jackson@brooksmacdonald.com

Reg Hoare
MHP Communications
6 Agar Street
London WC2N 4HN
T 020 3128 8793
F 020 3128 8171
E reg.hoare@mhpc.com

Andrew Shepherd
Deputy Chief Executive
72 Welbeck Street
London
W1G 0AY
T 020 7499 6424
D 020 7408 5591
F 020 7499 5718
E andrew.shepherd@brooksmacdonald.com

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