



Rathbones  
Look forward

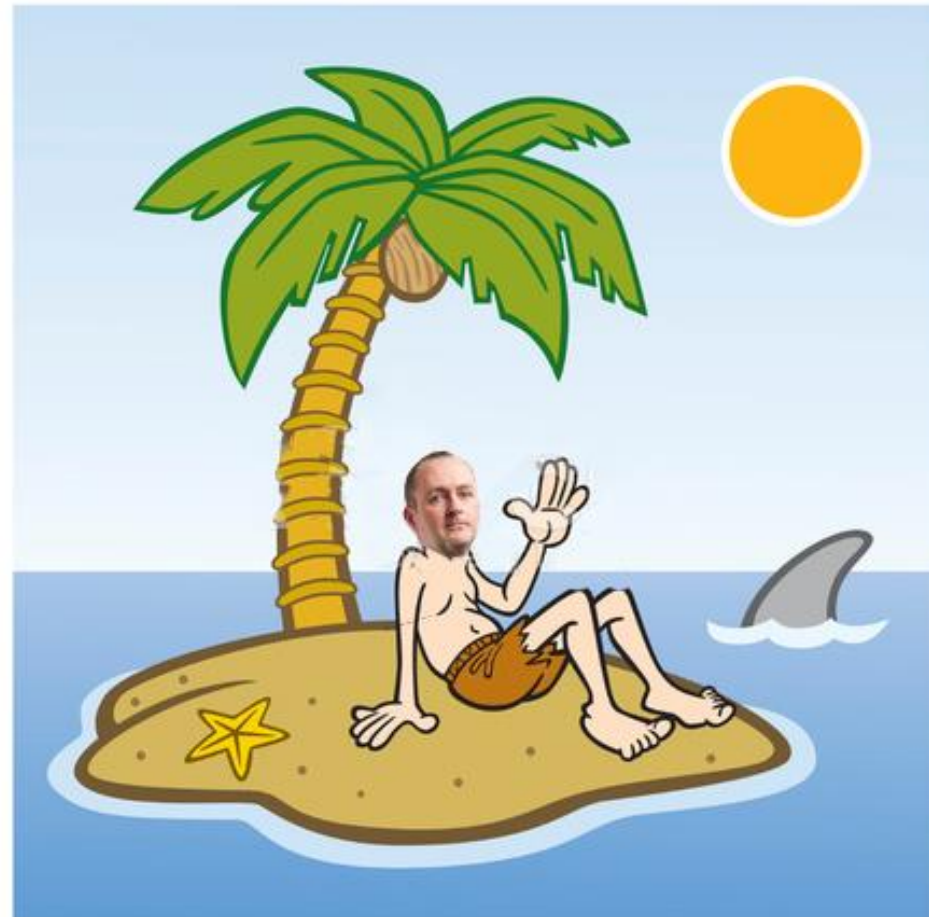
Rathbone Investment Management

# Finders Deputyship Development Day – “Investing for the Return to Normal”

Presented by Mark Holloway, *Investment Director*

June 2018

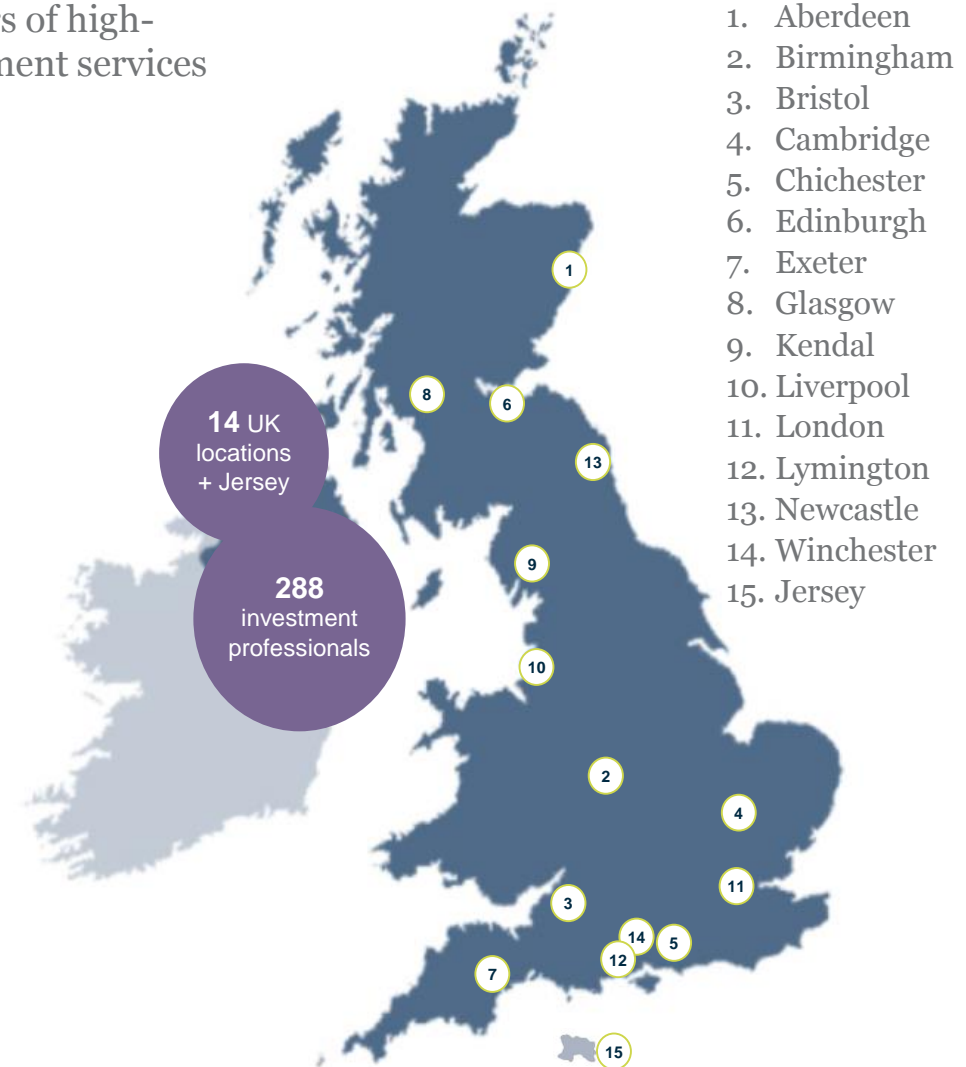
# Greetings from Paul Phazey!



## Introducing Rathbones

# About us

- one of the UK's largest and longest-established providers of high-quality, personalised discretionary investment management services for individuals and trustees
- £39.1 billion in funds under management<sup>1</sup>
- ability to manage money across portfolio types (i.e. personal, ISA, SIPP, trust)
- low turnover among investment management staff
- part of Rathbone Brothers Plc – an independently-owned company
- the majority of our staff are shareholders in the firm
- offices across the UK and Jersey



<sup>1</sup> As at 31 December 2017 includes funds managed by Rathbone Unit Trust Management Ltd.

## Introducing Rathbones

## Leading UK private client wealth managers

Private client AUM (£m)		Total	Disc.	Adv.		Total	Disc.	Adv.	
1	St. James's Place Wealth Management	58,600	- <sup>1</sup>	-	23	SGPB Hambros	8,942	5,991	2,951
2	Coutts	49,239	47,269	1,970	24	JM Finn & Co	7,840	5,253	2,587
3	Barclays	44,149	30,904	13,245	25	Brooks Macdonald Asset Management	7,470	7,470	-
4	UBS Wealth Management	31,681	7,920	23,761	26	Rothschild	7,360	7,066	294
5	HSBC <sup>2</sup>	29,415	-	-	27	Standard Life Wealth	6,508	6,508	-
6	Brewin Dolphin Ltd	28,300	24,621	3,679	28	Santander Wealth Management	6,300	945	5,355
7	Investec Wealth & Investment	27,700	21,883	5,817	29	Deutsche Asset & Wealth Management	6,051	4,538	1,513
8	<b>Rathbones<sup>3</sup></b>	<b>26,126</b>	<b>24,036</b>	<b>2,090</b>	30	Ruffer	5,831	5,831	-
9	Cazenove Capital Management	25,866	25,090	776	31	Tilney Bestinvest	5,800	4,466	1,334
10	JPMorgan Private Bank	19,000	7,600	11,400	32	LGT Vestra	5,628	4,390	1,238
11	Goldman Sachs International	17,818	11,938	5,880	33	Towry	5,535	4,760	775
12	MAN GLG	16,349	16,349	-	34	Partners Capital	5,500	3,300	2,200
13	Quilter Cheviot	16,261	14,960	1,301	35	Speirs & Jeffrey	5,498	1,924	3,574
14	Smith & Williamson Investment Management	15,972	11,979	3,993	36	Kleinwort Benson	5,309	3,769	1,540
15	Lloyds Bank Private Banking	14,943	14,943	-	37	Raymond James Investment Services	5,278	4,222	1,056
16	Credit Suisse (UK)	12,950	4,662	8,288	38	Stonehage Fleming Investment Mgmt	5,257	3,943	1,314
17	Davy Private Clients	12,580	6,919	5,661	39	Hargreave Hale & Co	5,000	2,500	2,500
18	Charles Stanley & Co	12,280	9,333	2,947	40	RBC Wealth Management	4,664	2,425	2,239
19	Canaccord Genuity Wealth Management	11,900	8,568	3,332					
20	Seven Investment Management (7IM)	10,100	2,323	7,777					
21	Thesis Asset Management	9,998	9,198	800					
22	Close Brothers Asset Management	9,412	7,530	1,882					

<sup>1</sup> '-' indicates that no information regarding the Discretionary / Advisory split of assets is available

<sup>2</sup> Includes HSBC Private Bank and HSBC Global Asset Management

<sup>3</sup> Rathbones figure only includes FUM managed by Rathbone Investment Management

## Introducing Rathbones

# Our philosophy



“We do not sell products — we offer a *service*.

For us that’s an important distinction. We aim to build long-term relationships with individuals, their families and advisers.

This approach is becoming unusual but we strongly believe it is important for our clients who value having direct access to the person managing their investments.”

***Mark Nicholls***

Chairman

# Introducing Rathbones

## We're here to support you



Safeguarding your clients' capital and providing a solid lifetime income requires in-depth, detailed understanding of the complexities of Court of Protection and personal injury matters. Rathbones Court of Protection team works in close collaboration with deputies and trustees on a daily basis.



**Mark Holloway MCSI**  
Investment Director  
Court of Protection and Personal  
Injury Specialist

Mark is an investment director with 30 years' experience as a financial planner and latterly as an investment manager.

Prior to joining Rathbones in 2015, Mark had worked for 12 years at Gerrard which became part of Barclays Wealth.

Since 2007, Mark has worked exclusively with clients under the Court of Protection, primarily with acquired brain injuries. He acts for professional, lay and public authority deputies as well as trustees overseeing personal injury trusts.

Mark is a member of the CISI.



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**Paul Phazey Chartered FCSI**  
Investment Director  
Court of Protection and Personal  
Injury Specialist

Paul is an investment director of almost 30 years' experience. Prior to joining Rathbones in 2015, he had spent almost his entire career working for Gerrard and its predecessor companies which became part of Barclays Wealth.

Since 2007, Paul has worked exclusively with clients under the Court of Protection, primarily with acquired brain injuries. He acts for professional, lay and public authority deputies as well as trustees overseeing personal injury trusts.

Paul is a Chartered Fellow of the CISI.



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## Introducing Rathbones

# Deputyships - 2017

- 57,702 registered in England and Wales
- 27,890 Lay Deputies
- 168 Local Authority Deputies
- average case load per LA Deputy – 120
- outsourcing becoming more commonplace
- average timeline for a protected party under deputyship – **3.5 years**



## Introducing Rathbones

# Introduction to the investment process

- cash is an inert asset class
- issues over inflation
- interest rates remain at historically low levels – 10 years!
- ***but is that about to change?***
- however, we have to be mindful of vulnerable nature of client
- Wells v Wells– “not ordinary investors”
- differentiate between PI awardees and the elderly
- time horizon for investment for the elderly client is important



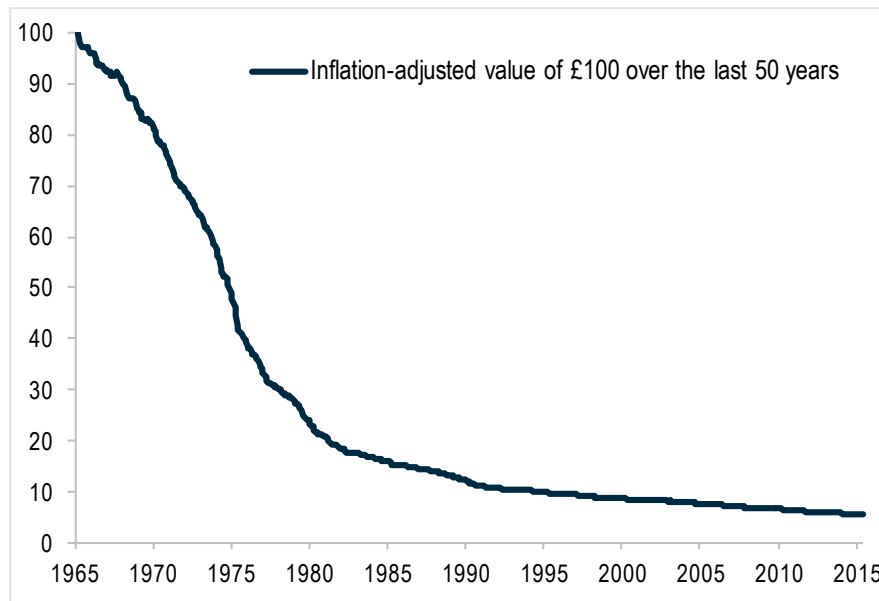


## Building an investment strategy

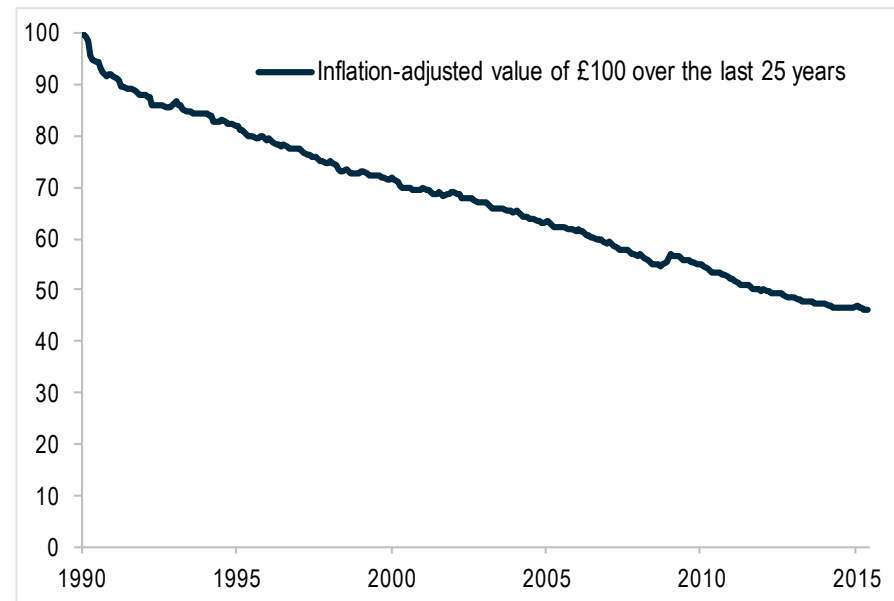
# Inflation erodes asset values

- inflation erodes the purchasing power of money
- even the relatively subdued inflation of the last 25 years has caused a dramatic reduction of purchasing power of idle cash

**£100 in 1965 is worth just £5.60 in today's money**

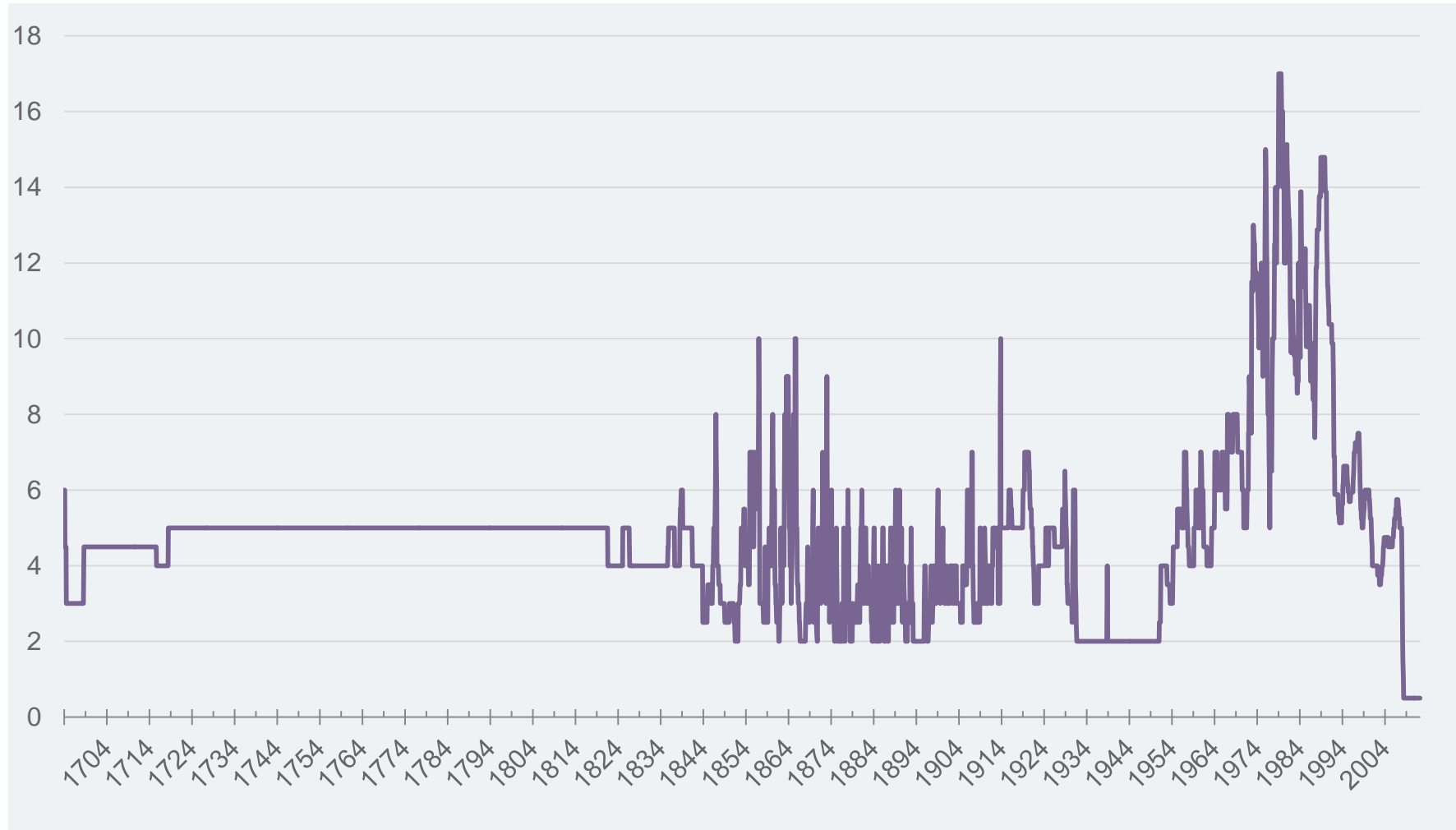


**£100 in 1990 is worth just £46 in today's money**



## Building an investment strategy

# Bank of England base rates 1694–2016



Source: Bank of England

Building an investment strategy

# The end of quantitative Easing?

- developed economies “normalise”
- inflation remains above the level desired by central banks
- governments stop buying gilts (and bonds)
- gilt yields are rising
- interest rates rise
- good for savers; bad for borrowers (corporate and private)
- what about investors? (tread carefully.....in the short term)

## Building an investment strategy

# Sample portfolio returns since 2009 (lower risk)

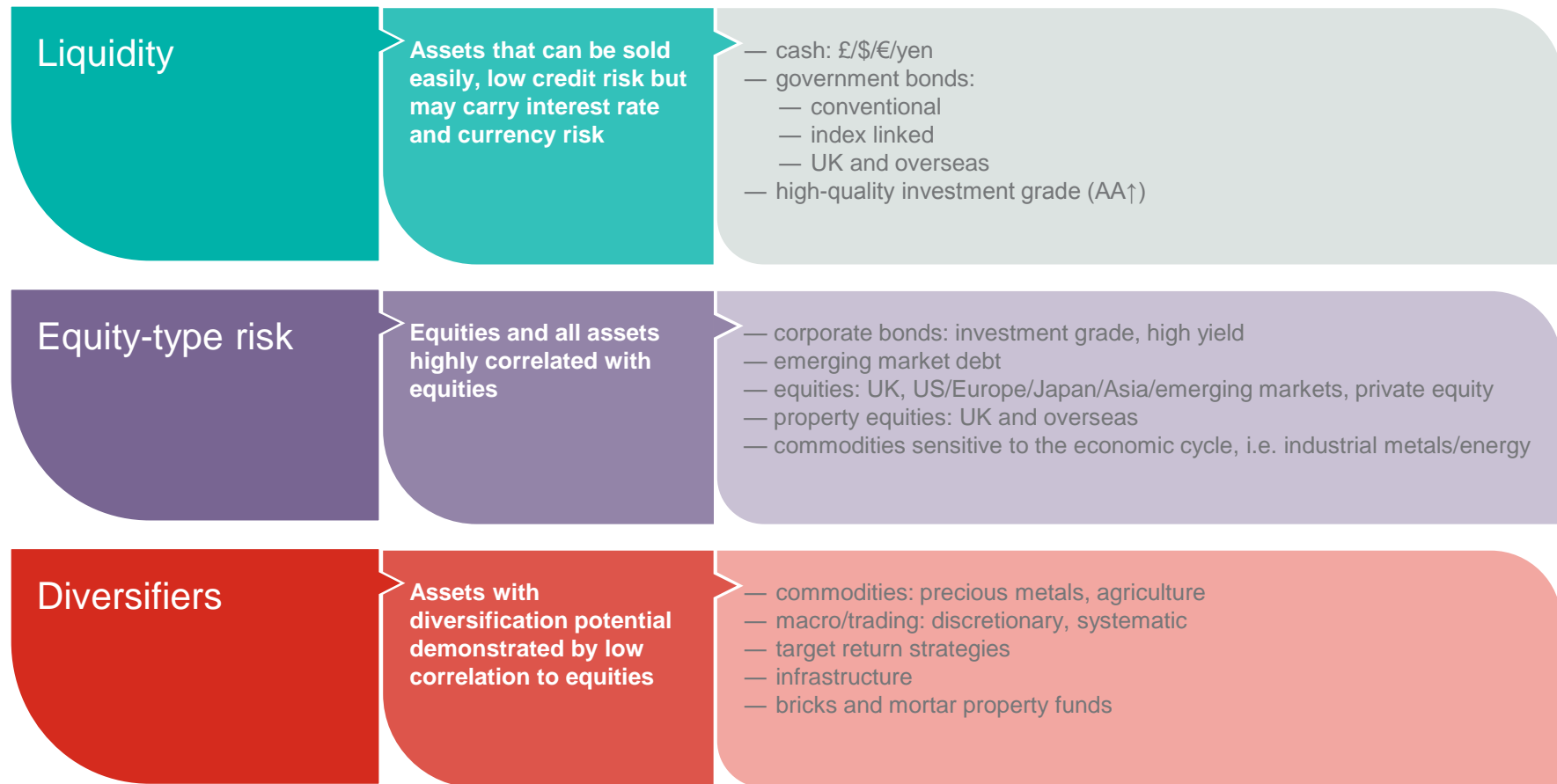
2009	18.0%
2010	11.6%
2011	-0.5%
2012	10.2%
2013	12.5%
2014	6.1%
2015	2.4%
2016	11.3%
2017	11.3%

Quantitative easing has driven asset prices higher for nine years. What happens when it ends?

## Building and investment strategy

# A focus on correlation is key to managing risk

### *Grouping asset classes according to characteristics*



## Building and investment strategy

# Investment options, their characteristics and why we choose them

	Lower risk						Higher risk				
	Cash %	Gilts %	UK index linked bonds %	Corporate bonds %	Funds of hedge funds %	UK equity large companies %	International equity %	Commodities %	Property %	UK equity small companies %	Private equity %
Historical returns (CAGR)	3.2	5.7	7.4	6.5	3.9	4.3	7.3	1.8	7.2	6.6	7.7
Historical volatility (Standard deviation)	0.7	5.5	7.5	9.0	5.5	13.6	15.2	15.0	10.5	17.3	19.1
Historical risk (Max drawdown)	0.0	7.3	12.7	18.6	22.2	44.4	48.6	54.0	58.5	57.0	74.8

Source: Rathbones, Evestment and Datastream

## Please note:

1. Performance measured on a total return basis in sterling, apart from fund of hedge fund returns, which are calculated on a NAV basis
2. Based on a performance period of 20 years to end of March 2018
3. CAGR represents the compound annual growth rate
4. Historical volatility is measured using standard deviation of monthly returns
5. Maximum drawdown represents the largest drop in the value of an asset class from its height or peak to its lowest point over the period (trough)

Past performance should not be seen as an indication of future performance

## Representative indices:

Cash: UK 3M IBA Interbank Libor 3M Total Return Index £

Gilts: FTSE Actuaries UK Conventional Gilts All Stocks Total Return Index £

UK Index Linked Bonds: FTSE British Government Index Linked Bonds All Maturities Total Return Index £

Fund of Hedge Funds: HFRI Fund of Funds composite Total Return Index £

Corporate Bonds: Barclays Capital Sterling Bond Non Gilts All Maturities Total Return Index £ Prior to Jan 1997 & ML Corporate All UK Total Return Index £ thereafter

Property: 50% IPD (Investment Property Databank) & 50% FTSE NAREIT Property Total Return Index £

UK Equity Large Companies: FTSE 100 Total Return Index £

International Equity: FTSE All-World Ex UK Total Return Index £

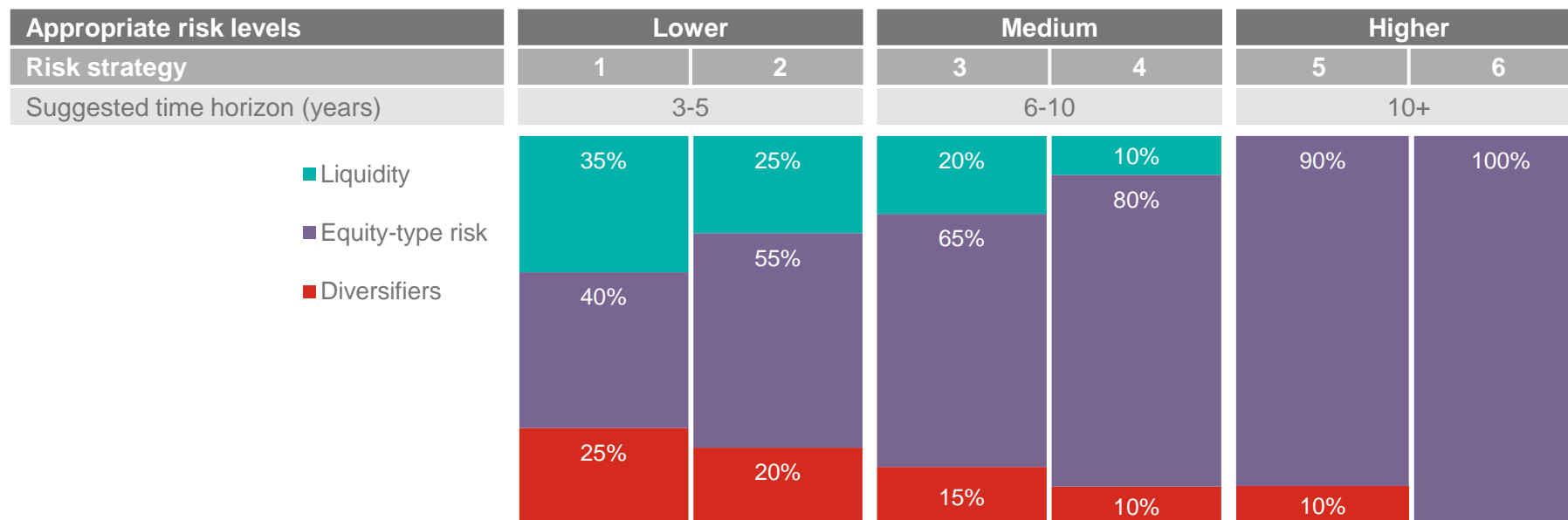
UK Equity Small Companies: FTSE Small Cap Total Return Index £

Commodities: Dow Jones AIG Total Return Index £

Private Equity: UK Private Equity DataStream Investment Trusts Ex-3I Total Return Index £

## Building an investment strategy

# Risk adjusted asset allocation strategies



### Return and risk guidelines

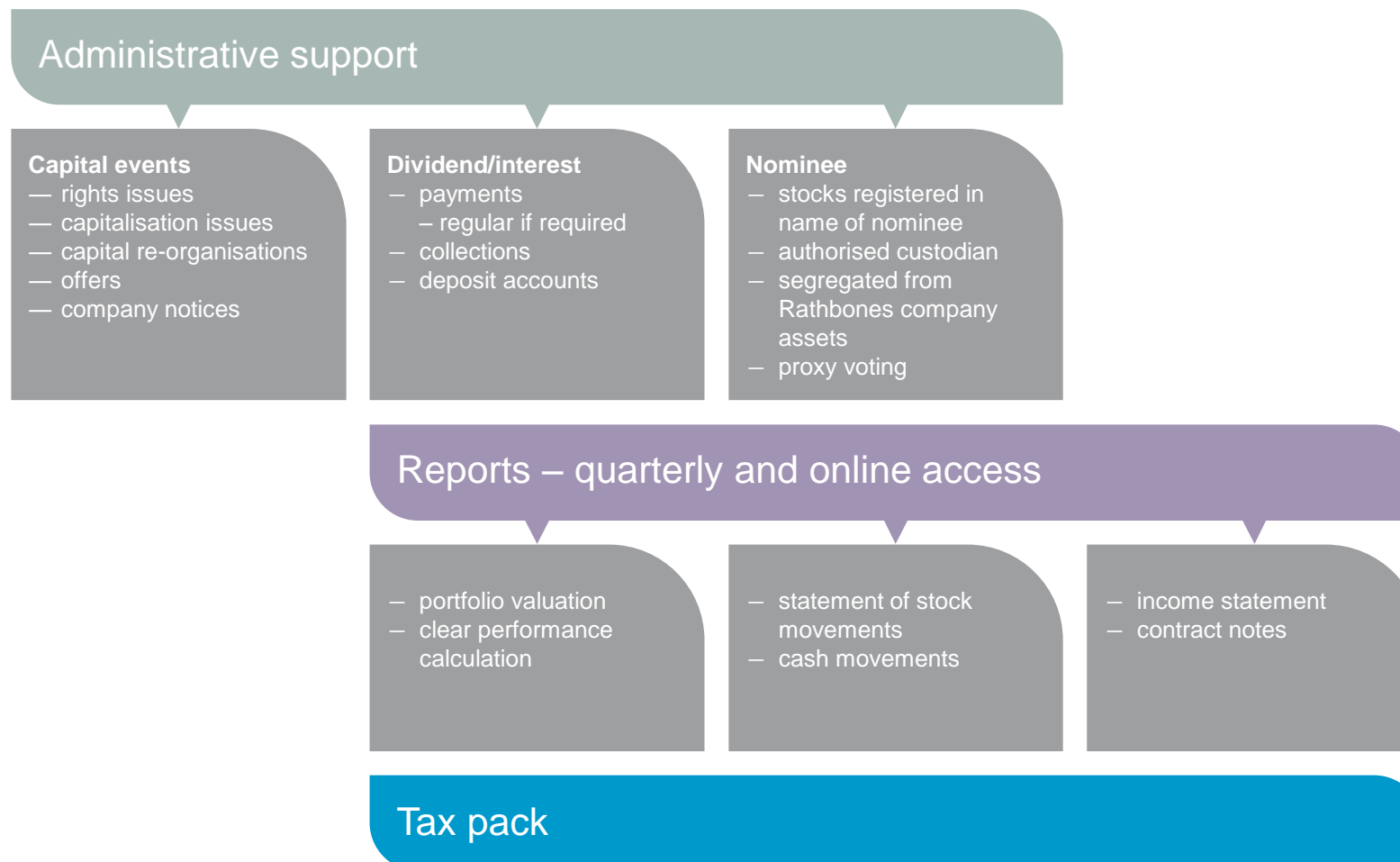
<b>CPI+ reference</b>			CPI + [2%+]	CPI + [3%+]	CPI + [4%+]	CPI + [5%+]
<b>Cash+ reference</b>	Cash + [1%+]	Cash + [2%+]				
<b>Risk measure/maximum drawdown (%)*</b>	-10%	-16%	-21%	-29%	-37%	-44%
<b>Possible reference indices</b>	MSCI WMA Conservative		MSCI WMA Balanced			MSCI WMA Global Growth
		MSCI WMA Income		MSCI WMA Growth		

*A wide range of objectives can be met: income or regular cash flow, total return and capital growth*

\*Based on a performance period from January 1991 to May 2015. These figures are for illustrative purposes only using historical data based on simulated funds. This page represents our current views on portfolio construction and objectives. These will be subject to ongoing review and therefore may change over time.

## Management and reporting

# How do we administer your portfolio?





## Management and reporting

# Schedule of charges

### Management fees (subject to VAT)

Our fee rate for the Portfolio is as follows:

Total Portfolio value	0.80%
-----------------------	-------

Management fees are charged quarterly in arrears, based on the value of the Portfolio as at the quarter end. A pro-rata fee is made for Portfolios which are transferred into or out of the Investment Management Service during the quarter.

Our fee is completely transparent and you will not be charged:

- fixed and minimum fees
- dealing and commission charges
- third party brokerage charges
- set-up and exit fees
- transfer in or out charges
- custody or platform fees
- performance fees

### Illustration of fees

Below is an illustration of how our management fees are applied to a Portfolio of £400,000. VAT should be added.

£400,000 charged at 0.8%	£3,200
<b>Total annual management fee</b>	<b>£3,200</b>

Based on a constant Portfolio value of £400,000 in this illustration, our fee would be £800 + VAT per quarter charged in arrears. If your Portfolio increased in value to £450,000 our quarterly fee would rise to £900 + VAT and if it fell in value to £350,000 our quarterly fee would reduce to £700 + VAT.

The maximum fee we currently charge is £12,500 per annum + VAT.

# Investment options

- assets > £200,000 – Bespoke Rathbones Portfolio managed by COP team
- different risk strategies available
- robust onboarding process including ‘Mifid 2” compliant risk and client suitability
- assets < £200,000 – Rathbones Safeguarding(?) Fund
- ability to transfer in existing investments with sympathetic tax treatment



# Case study

- Mrs “K.”
- £2m + assets / investments “everywhere”!
- administrative headache for LA Deputy
- consolidated most investments (mainly ISAs) into *lower risk* Rathbones portfolio – appropriate given client’s age (and actually significantly reduced investment risk from before)
- one portfolio; one point of contact; slick administration (online/tax reports etc.)
- cash accounts “everywhere”!
- NS&I and deputy account



# Rathbones safeguarding(?) fund

- work in progress (launch Q2 2018?)
- target: professional and LA Deputies/Trustees
- “slip & trip” or minors with small awards
- the elderly/vulnerable with existing investments
- “asset consolidator” – reduce workload for Deputies
- cautious investment strategy
- ISA availability
- standing order withdrawals
- minimum investment – £10,000 (to be finalised)
- online portfolio “look through”
- total expense ratio c.1% - (to be finalised)
- dedicated point of contact (to be finalised)



# Cautious strategy (for illustration)

This strategy is applicable to a portfolio where the investor has a relatively low risk tolerance. It aims to generate a return over time which exceeds the return available on cash deposits. We expect reasonable fluctuations in value, but generally expect these to be lower than for major equity markets. Investors with such a portfolio are probably somewhat concerned about the possibility of losing money. This type of approach can be suitable for investors with a shorter time horizon. However, investors with a long time horizon for investment may be able to accept a reasonably high exposure to equities.

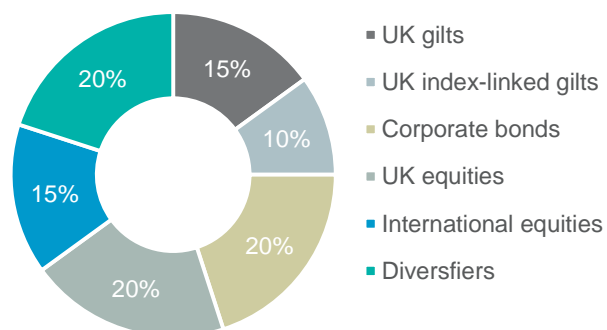
## Key facts

Risk level	2
Suggested time horizon	3 to 5 years
Long-term objective	Cash + 2%
WMA reference index	WMA Conservative / Income

## Historical volatility ranges

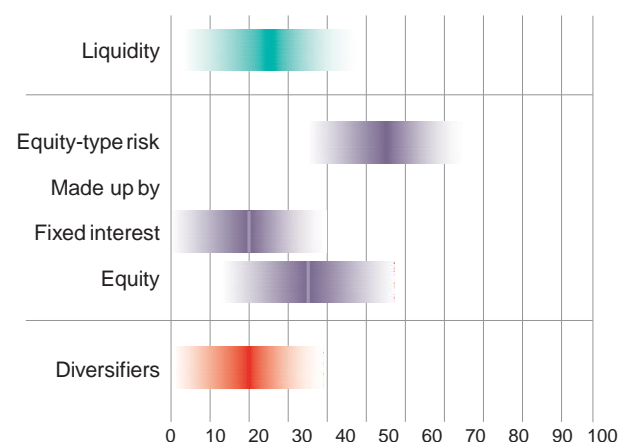
Volatility	5% to 8%
Volatility relative to equities	30% to 50% of equity volatility

## Illustrative asset breakdown

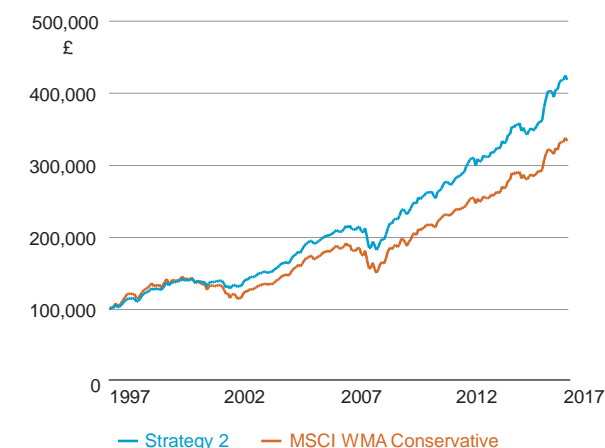


All data as at 30 June 2017

## Indicative asset class ranges



## Comparative performance for this strategy over the past 20 years



	10 years from 30 June 2007	20 years from 30 June 1997
Annual volatility	6.8%	6.3%
Worst drawdown	-15.8%	-15.8%
Worst drawdown period	Dec 2007 to Feb 2009 (7 months to recover)	Dec 2007 to Feb 2009 (7 months to recover)
Average total return per year	+7.2%	+7.4%
Total return for the period	+101.0%	+318.4%
MSCI WMA Conservative	+79.3%	+233.5%

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

# Corporate governance at Rathbones

We believe it is in the best interests of our clients for the companies in which we invest to adopt best practice in corporate governance. This is because best practice in corporate governance provides a framework in which each company can be managed in the long-term interest of its shareholders. In this vein we have taken a number of steps to ensure we conform to best practice in the corporate governance arena.

## Key facts:

- Rathbones' Corporate Governance Committee is composed of investment managers and representatives from other internal teams from across the business e.g. Marketing
- Rathbones has appointed Institutional Shareholder Services (ISS) to give advice and recommendations on voting in accordance with Rathbones' agreed policies
- ISS supports the Committee in the development of its proxy voting procedures in relation to discretionary accounts. ISS also provides on-going, regular corporate governance analysis and information on current trends
- advice and research received by the Corporate Governance Committee supplements the fundamental analysis carried out by the stock selection committee as part of the investment process. Committee members are regularly kept up-to-date on voting advice regarding AGM and EGM resolutions via email
- quarterly corporate governance and voting reports can be produced for clients that require them
- the Committee was set-up in line with Rathbones' obligations under the PRI and pays heed to the Stewardship Code, set-up by the Financial Reporting Council

## Appendix

# Recognition/awards highlights

At Rathbones we are proud of our reputation and of the awards we have won in recent years for our discretionary investment management service. Below, we have highlighted a number of the awards we have won since 2015.

### Citywealth Investment Management Company of the Year – Channel Islands

- Rathbone Investment Management winner of ‘Investment Management Company of the Year – Channel Islands 2017’

### Citywealth Magic Circle Awards

- Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Institutional 2017’
- Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Institutional 2016’
- Rathbone Investment Management winner of ‘Charity Investment Manager of the Year 2016’
- Rathbone Investment Management winner of ‘Private Client Asset Manager of the Year – Boutique 2015’
- Rathbone Investment Management winner of ‘Charity Investment Manager of the Year 2015’

### Charity Times Awards

- Rathbone Investment Management awarded ‘Investment Manager of the Year 2017’
- Rathbone Investment Management awarded ‘Investment Manager of the Year 2016’

### Better Society Awards

- Rathbone Investment Management winner of ‘Asset Manager of the year 2017’
- Rathbone Investment Management winner of ‘Asset Manager of the Year 2016’

### Incisive Media

- Rathbone Investment Management awarded ‘Gold standard for Discretionary Fund Management 2017’
- Rathbone Investment Management awarded ‘Gold standard for Discretionary Fund Management 2016’
- Rathbone Investment Management awarded ‘Gold standard for Discretionary Portfolio Management 2015’



# Questions and answers





# Important information

The value of investments and the income from them may go down as well as up and you may not get back your original investment. Past performance should not be seen as an indication of future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase.

Information valid at date of presentation.

Tax regimes, bases and reliefs may change in the future.

Rathbone Brothers Plc is independently owned, is the sole shareholder in each of its subsidiary businesses and is listed on the London Stock Exchange.

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Rathbones is the trading name of Rathbone Investment Management Limited.

Rathbone Unit Trust Management Limited is authorised and regulated by the Financial Conduct Authority. Registered office: 8 Finsbury Circus, London EC2M 7AZ, Registered in England No. 02376568.

Trust, tax and company administration services are supplied by trust companies in the Rathbone Group. Provision of legal services is provided by Rathbone Trust Legal Services Limited ('RTL'), a wholly owned subsidiary of Rathbone Trust Company Limited ('RTC'). RTL is authorised and regulated by the Solicitors Regulation Authority under no.636409. The registered office of both RTC and RTL is 8 Finsbury Circus, London EC2M 7AZ. RTC and RTL are registered in England under company nos. 01688454 and 10514352 respectively.

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