

# Close Brothers Asset Management

Investor seminar

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# Agenda

## 1. Introduction

Preben Prebensen, Group Chief Executive

## 2. Business model and strategy

Martin Andrew, Chief Executive Officer Asset Management

## 3. Advice and financial planning

Andy Cumming, Head of Advice

## 4. Investment proposition

Nancy Curtin, Chief Investment Officer and Head of Investments

## 5. Conclusion

Martin Andrew, Chief Executive Officer Asset Management

## 6. Q&A

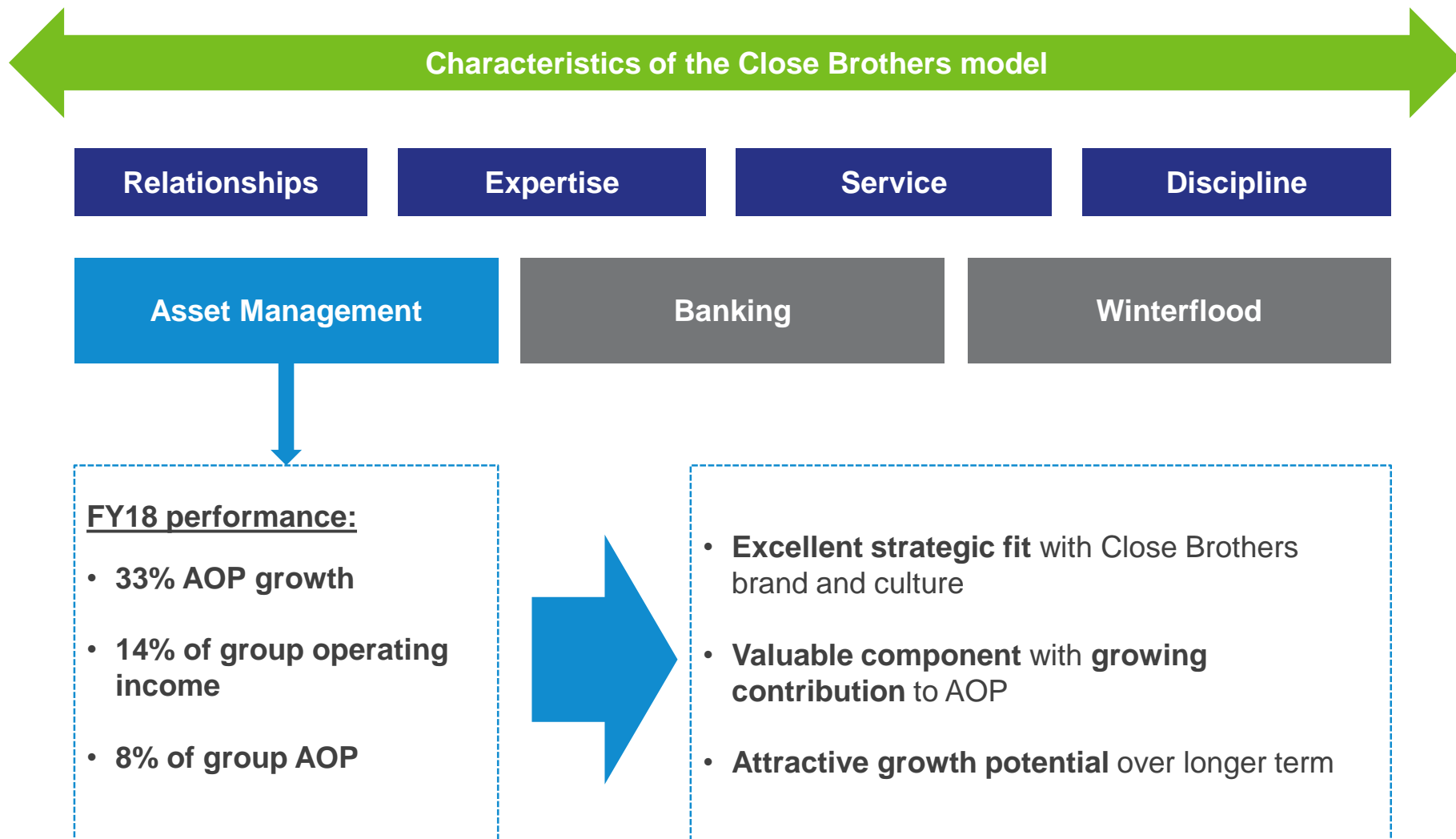
# Introduction

Preben Prebensen

Group Chief Executive

# Introduction

Asset Management within the Close Brothers group



# **Business overview and strategy**

Martin Andrew

Asset Management Chief Executive Officer

# Realising our vision for Asset Management

Building a new model UK wealth management business

2011 premises

2011 vision

Long-term growth opportunity

Evolving marketplace

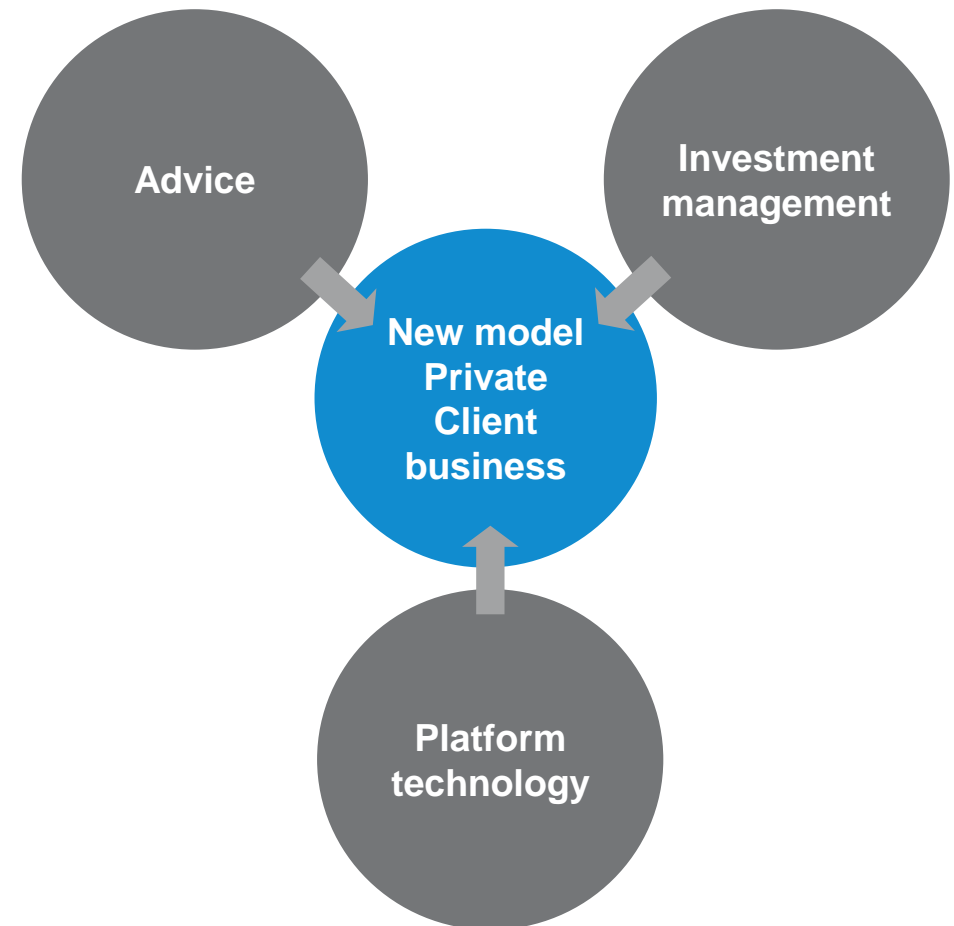
Appetite for advice

Differentiated and client centric

Fee compression

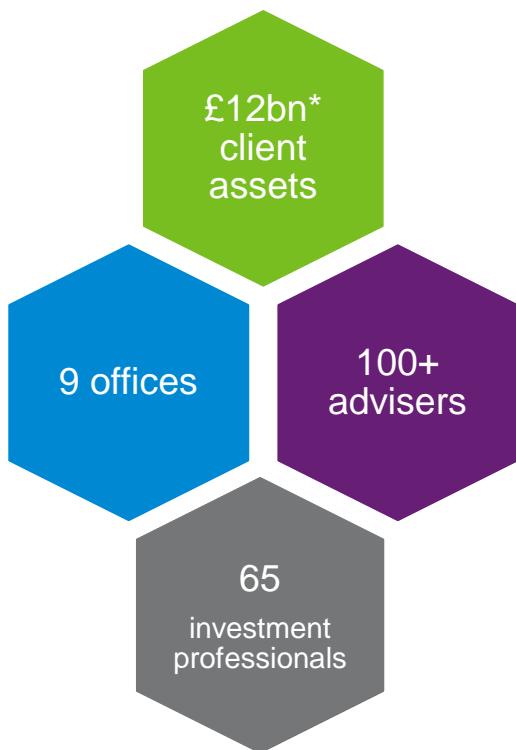
New technology

Regulation



# Close Brothers Asset Management today

Top 20 UK wealth manager



Target market	Affluent clients	HNW clients
Investable assets	£200k - £1m	£1m - £20m+
Clients	15,000+ families	2,500+ families
	Professionals, business owners, retirees, trustees...	

Financial  
adviser



Investment  
manager



Dedicated **personal service** with highly **qualified** and **experienced** professionals...

... leads to deep and **longstanding relationships**

\*£12.2bn at 31 July 2018; £11.9bn at 31 Oct 2018



# Where Close Brothers fits in the market place

UK wealth management

## Vertically integrated firms



## Financial advisers and networks



## Wealth managers



## Private banks

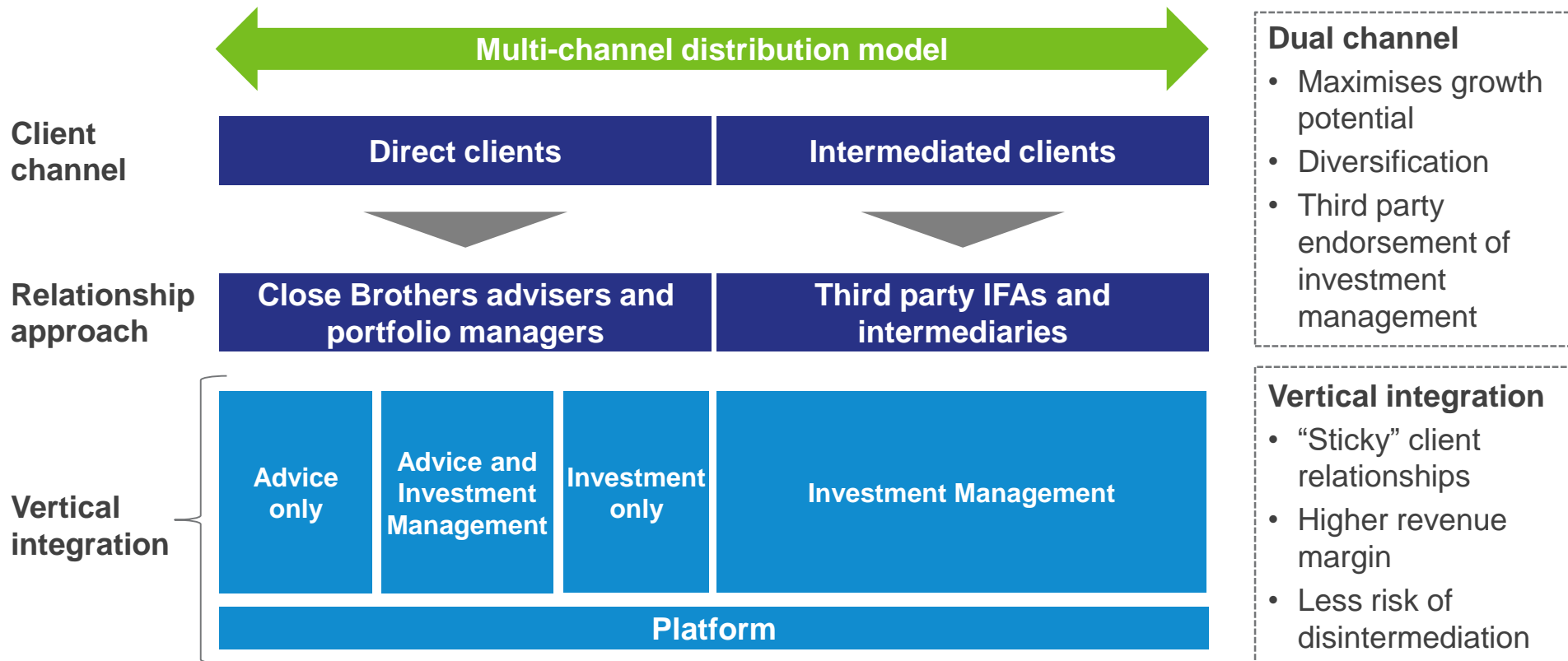


## Self directed



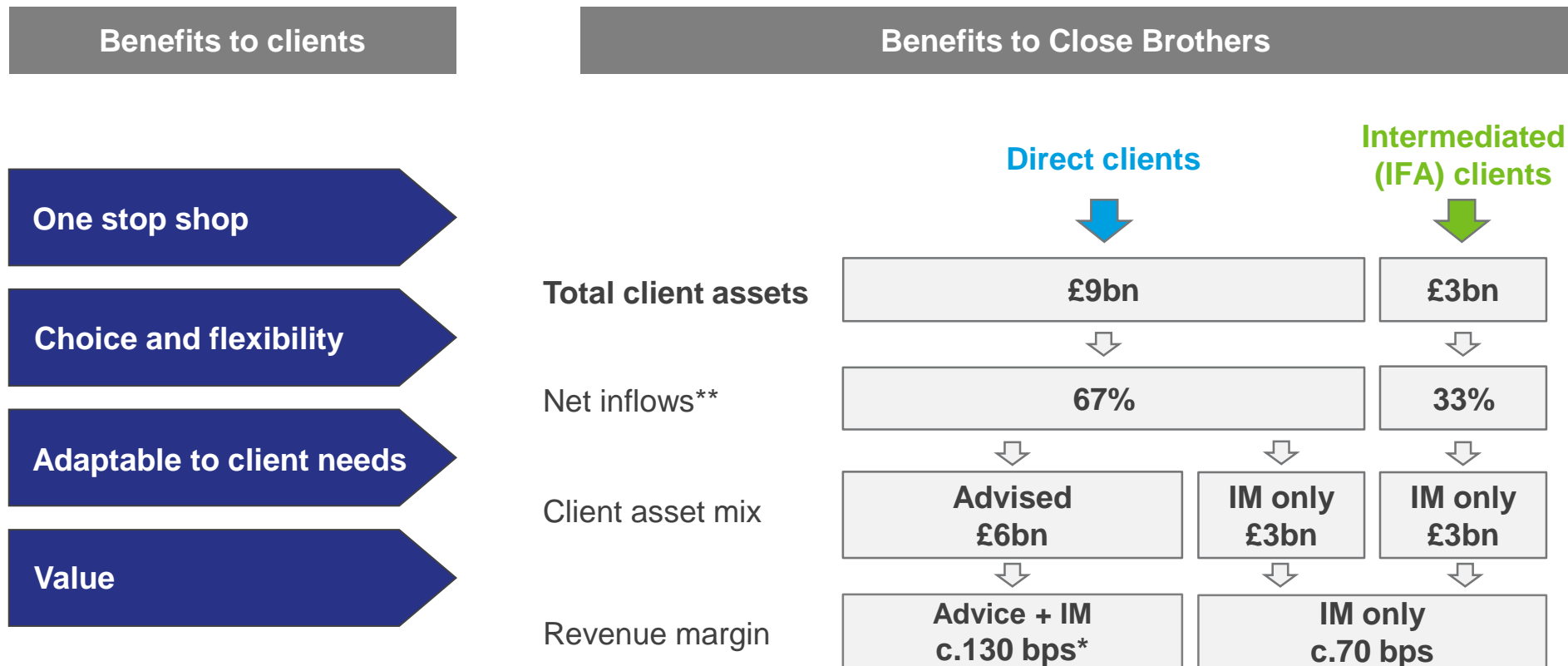
# Close Brothers' distinctive business model

Vertically integrated and multi-channel



# Business model

Client benefits and distribution of revenue and TCA



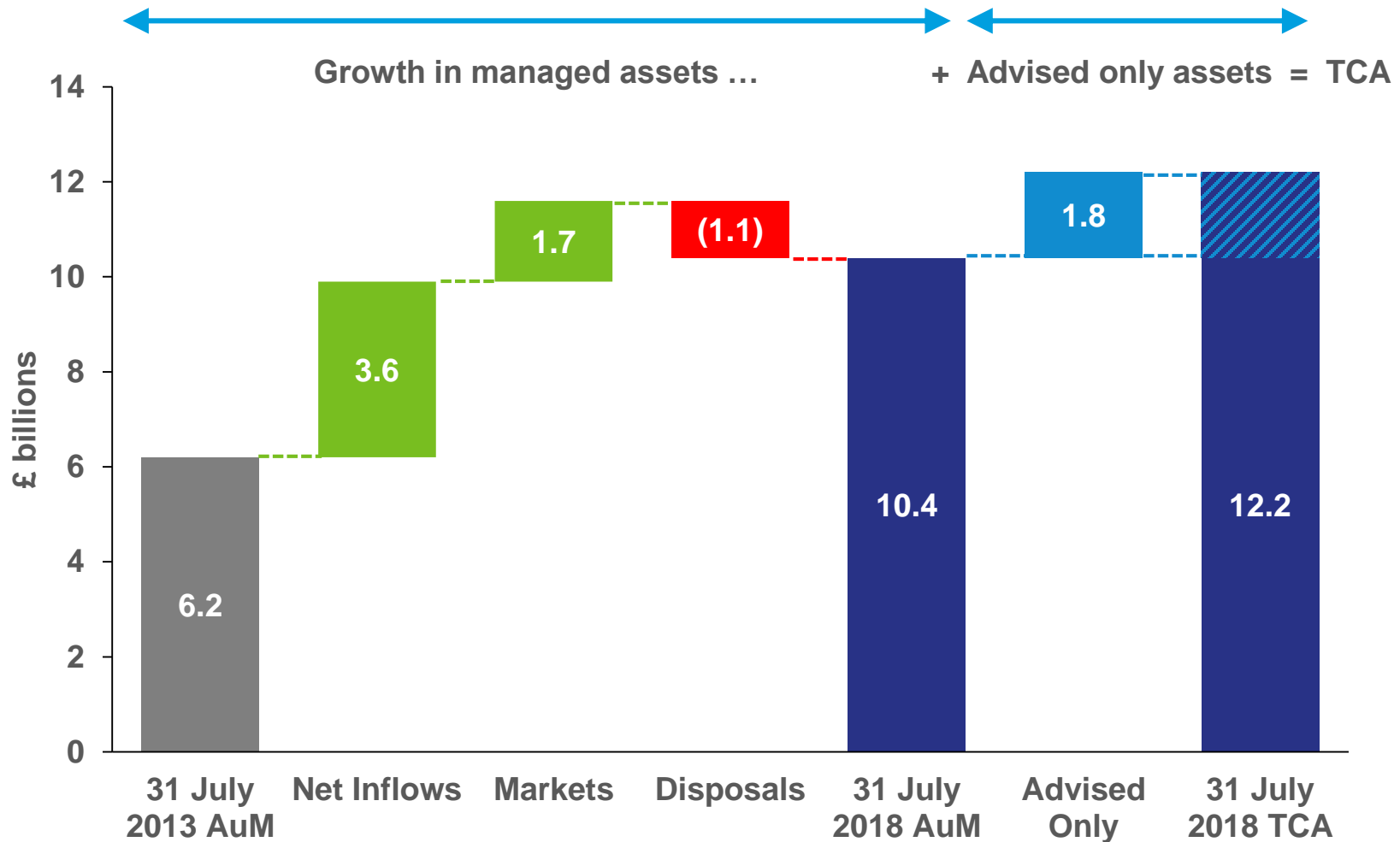
\*Revenue margin for clients benefitting from our integrated and advised only services

\*\*Average net inflow split over last 3 years

# Financial performance

Growth in managed assets

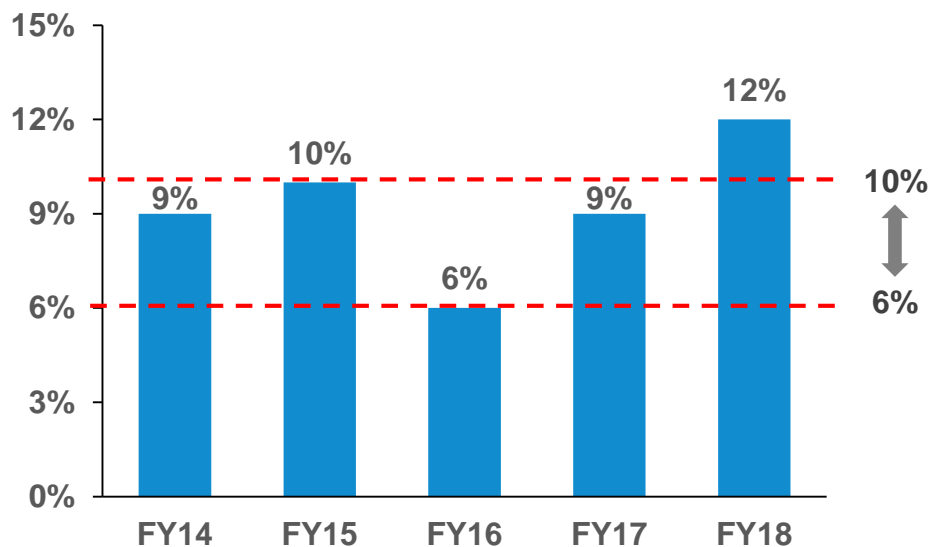
## Growth in managed assets (FY14 to FY18)



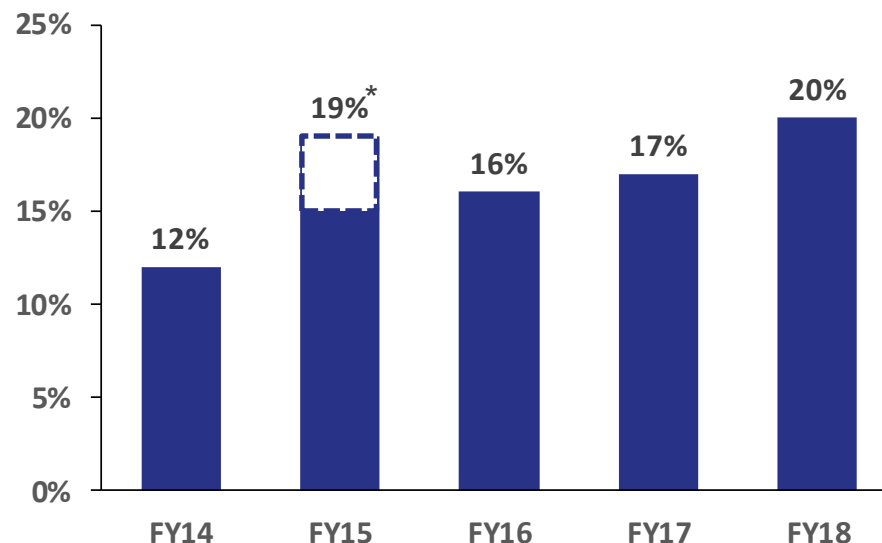
# Key performance indicators

Strong net inflows and steady increase in operating margin

## Net Inflow % of opening managed assets



## Operating Margin\*\*

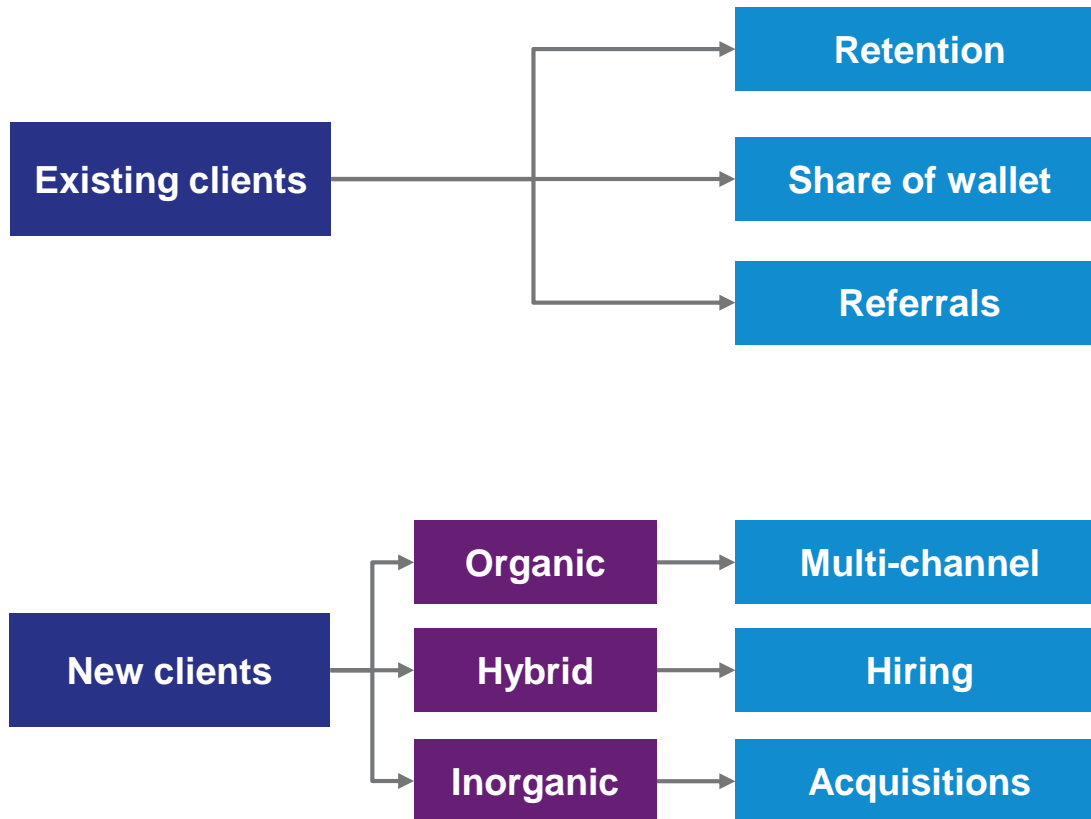


\*Includes a 4% non-recurring contribution from our former private equity business disposed in 2008

\*\* Adjusted operating profit divided by adjusted operating income

# Profit drivers

Top line revenue growth



**97%** overall service satisfaction from HNW clients

**94%** overall client service satisfaction in advice

NPS of **+61** for our HNW Bespoke business

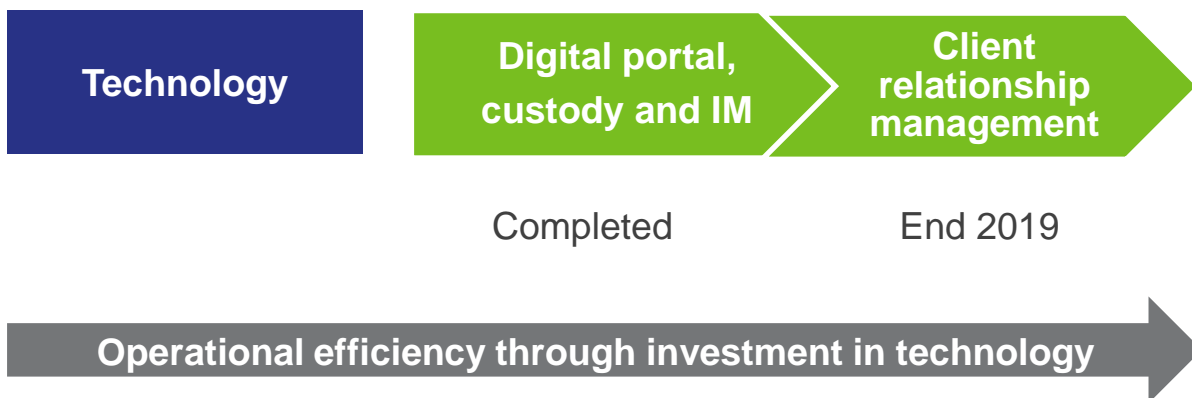
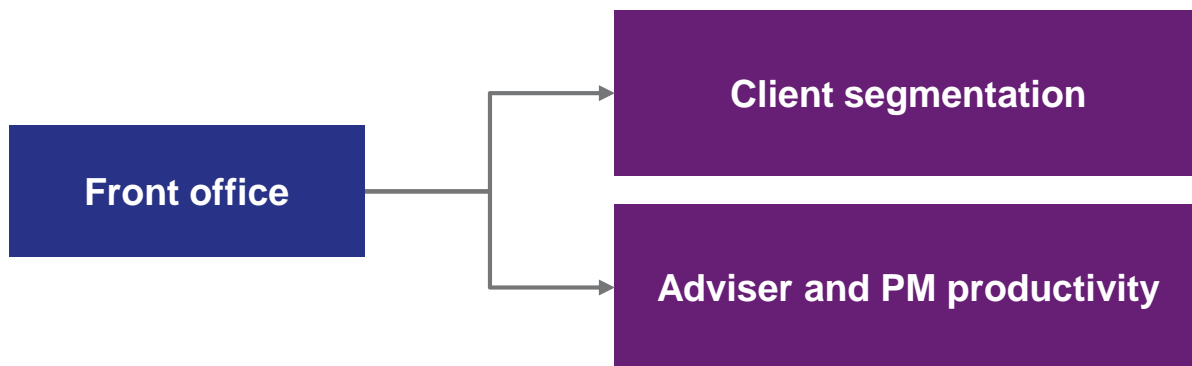
Over **500** financial education seminars per annum

Via relationships with **150** corporates

**7** IFA acquisitions in the last 8 years

# Profit drivers

Improving operating leverage and efficiency



Significant **cost reduction** for the business

Significantly enhanced **client experience**

Improved **digital functionality** and faster processing times for clients

Improved **efficiency** through reduced data entry and greater automation

# Advice and financial planning

Andy Cumming

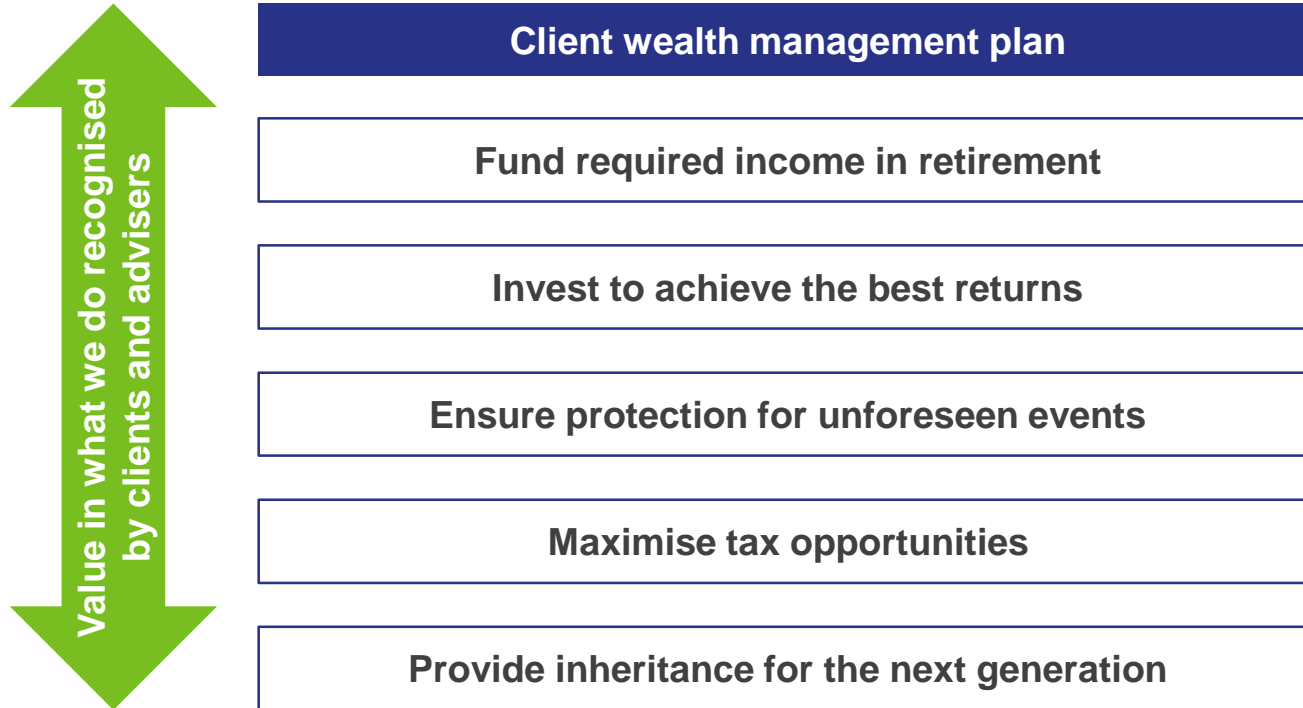
Head of Advice



# Integrated proposition meeting clients' needs

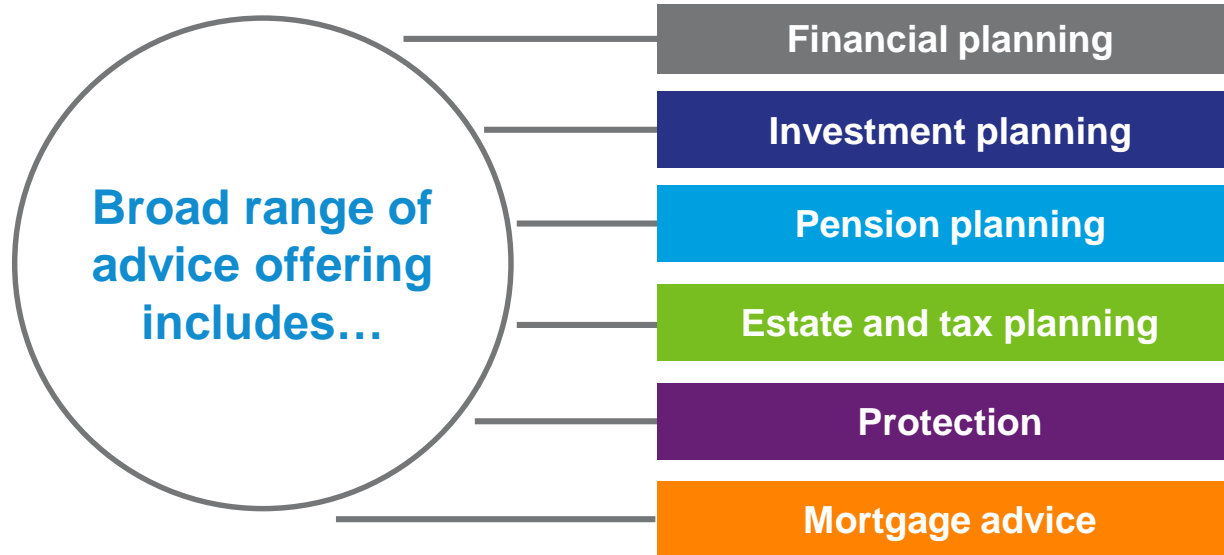
Benefits of our model

People need, and are willing to pay for, good financial advice



# Breadth of advice proposition

Distinctive service



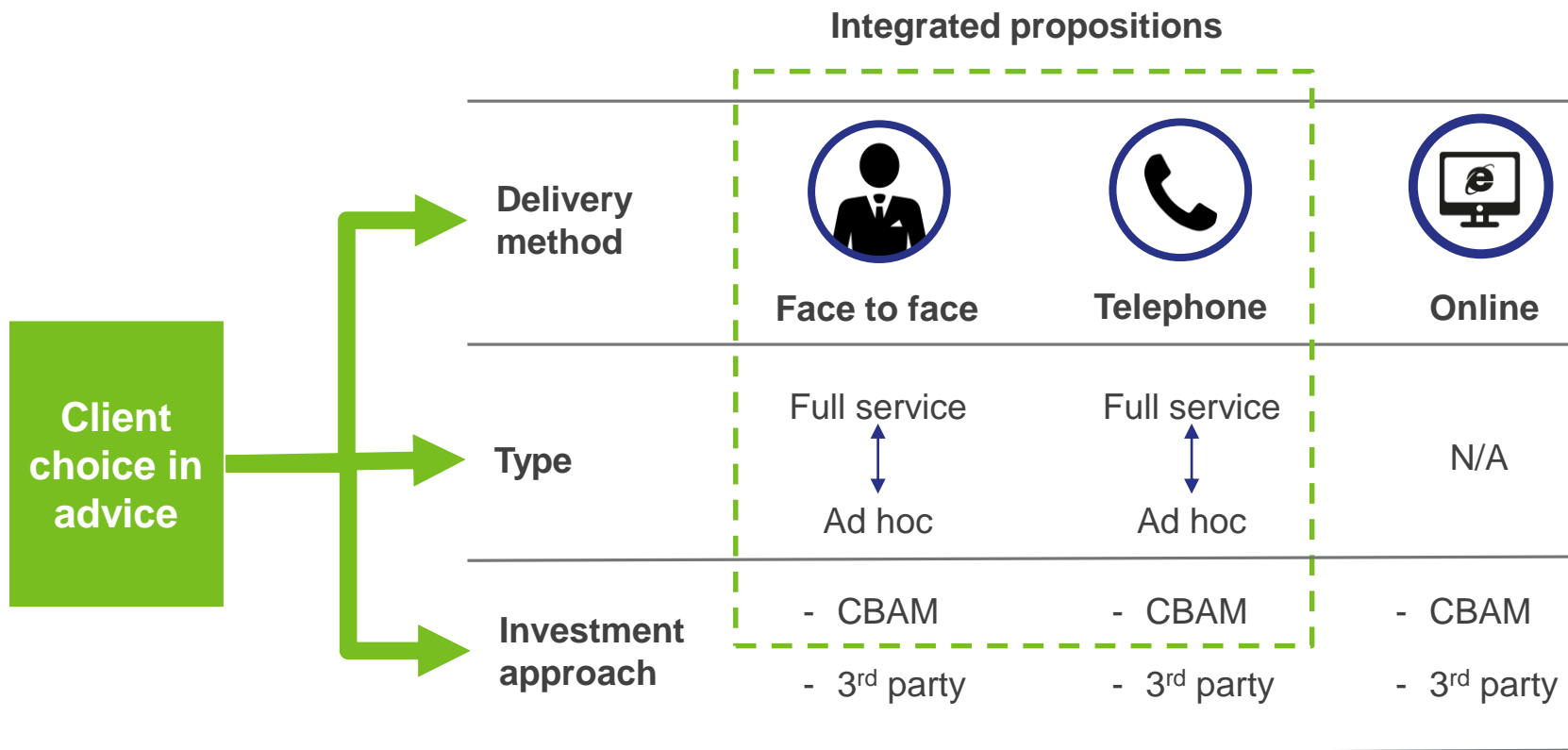
Distinctive Close Brothers service...

**Breadth and quality  
of capabilities**

**Personal client  
service**

# Breadth of service proposition

Client centric proposition designed to maximise growth



Distinctive Close Brothers service ...

**Single point of contact**

**Personal client service**

# Priorities

Strategy for financial advice

1

## Providing personal service and long term client relationships

- Client segmentation
- Adviser segmentation
- Adviser retention and client insight

2

## Growing adviser numbers

- Hiring
- Academy
- Small acquisitions

3

## Increasing adviser productivity

- Segmentation
- Technology and automation
- Optimising support

# Investment management

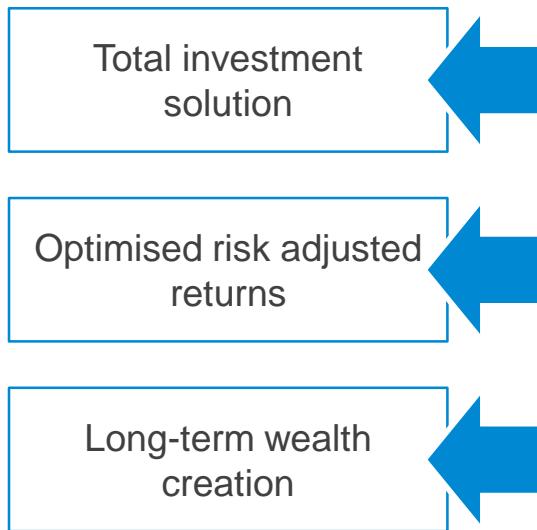
Nancy Curtin

Chief Investment Officer and Head of Investments

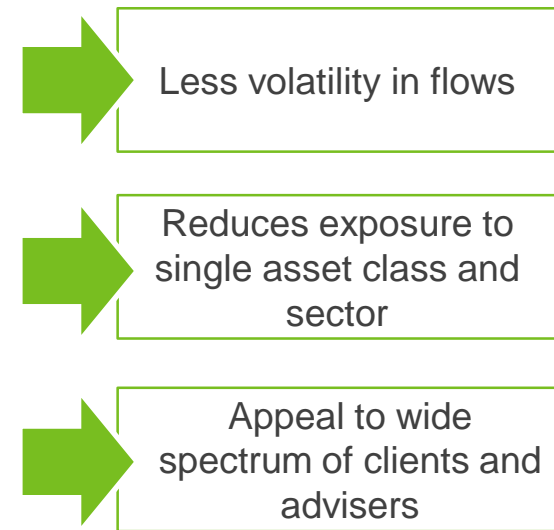
# Diversified investment management proposition

Multi asset class investment approach leads to real returns

## Benefits to client

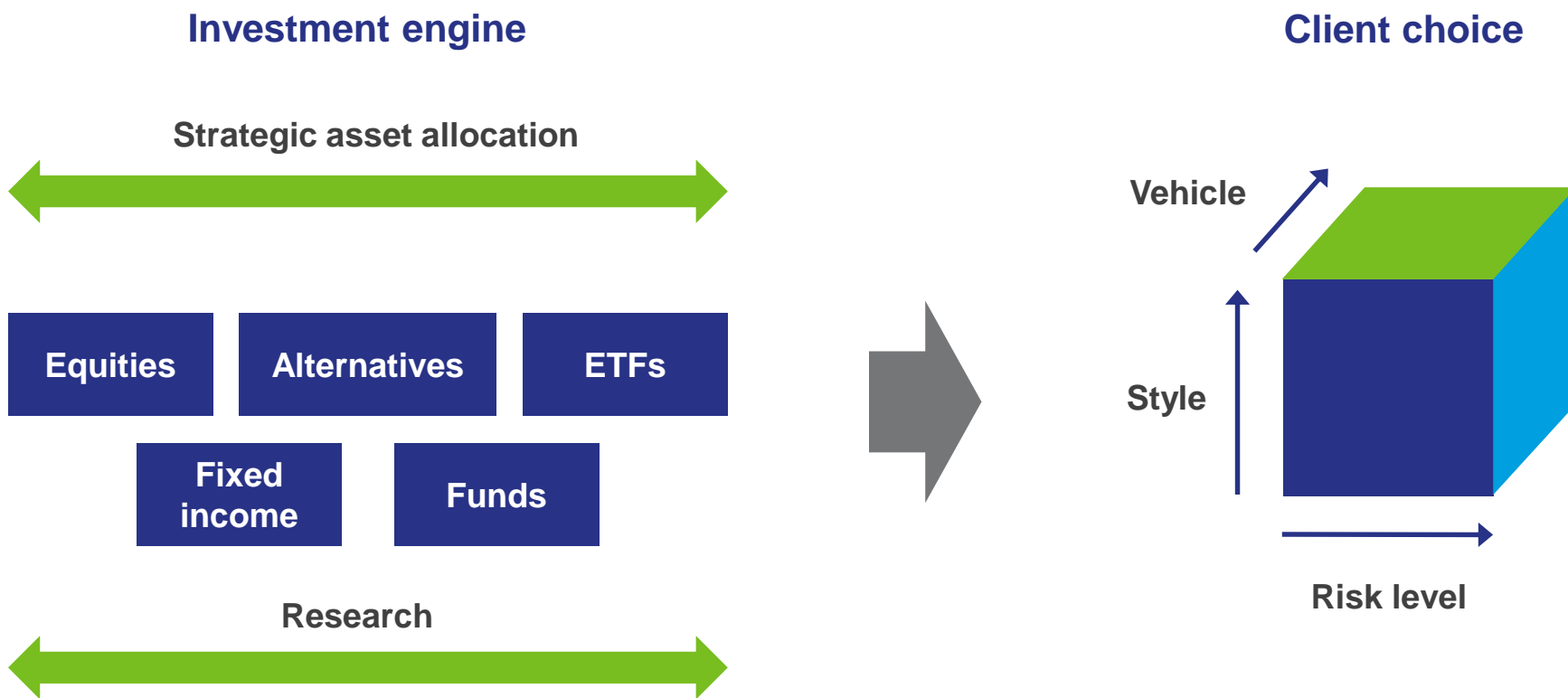


## Benefits to Close Brothers



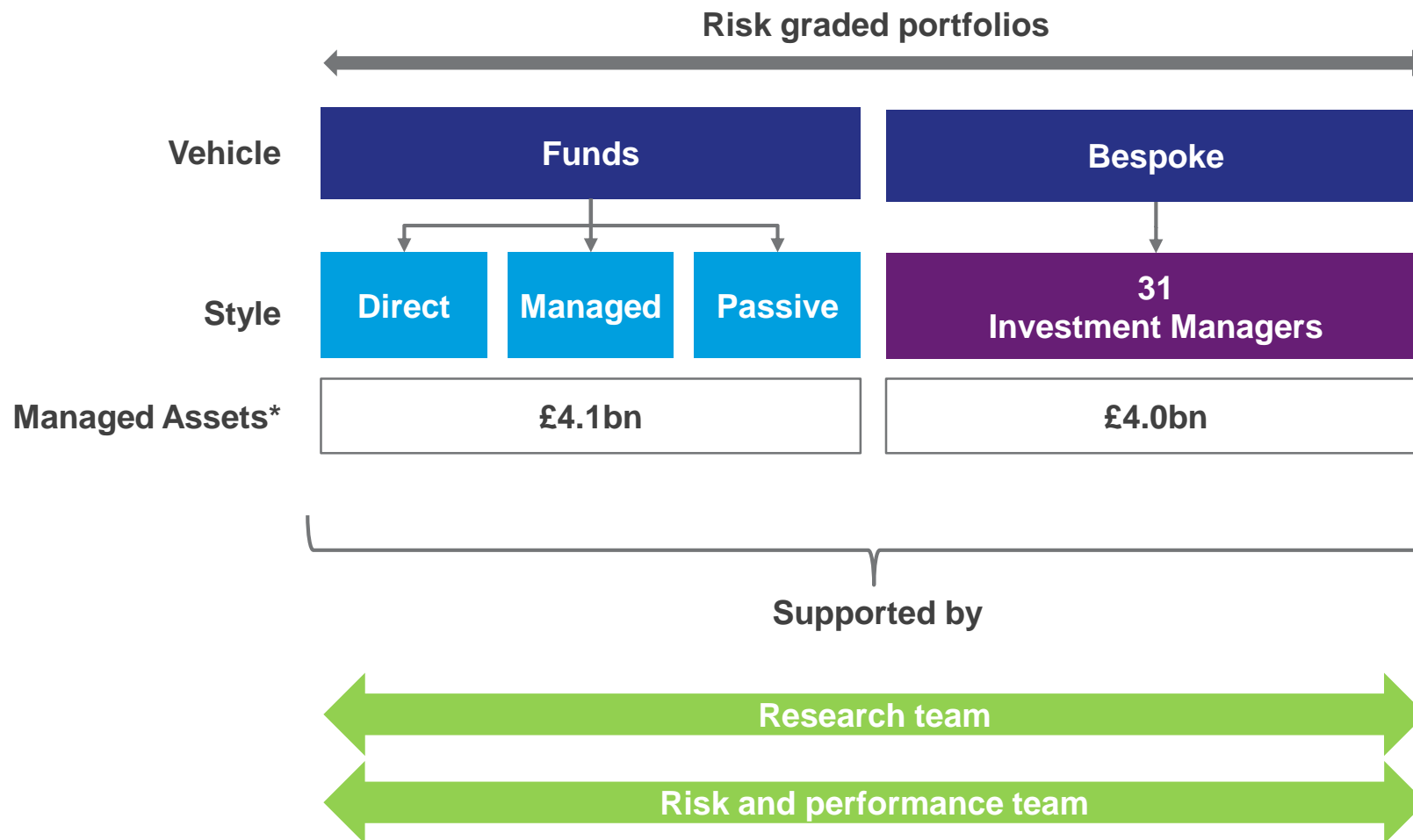
# Diversified investment management proposition

**Institutional discipline & simplicity** here . . . allows for . . . **Flexibility & choice** here



# Investment Management range and capabilities

65 investment professionals



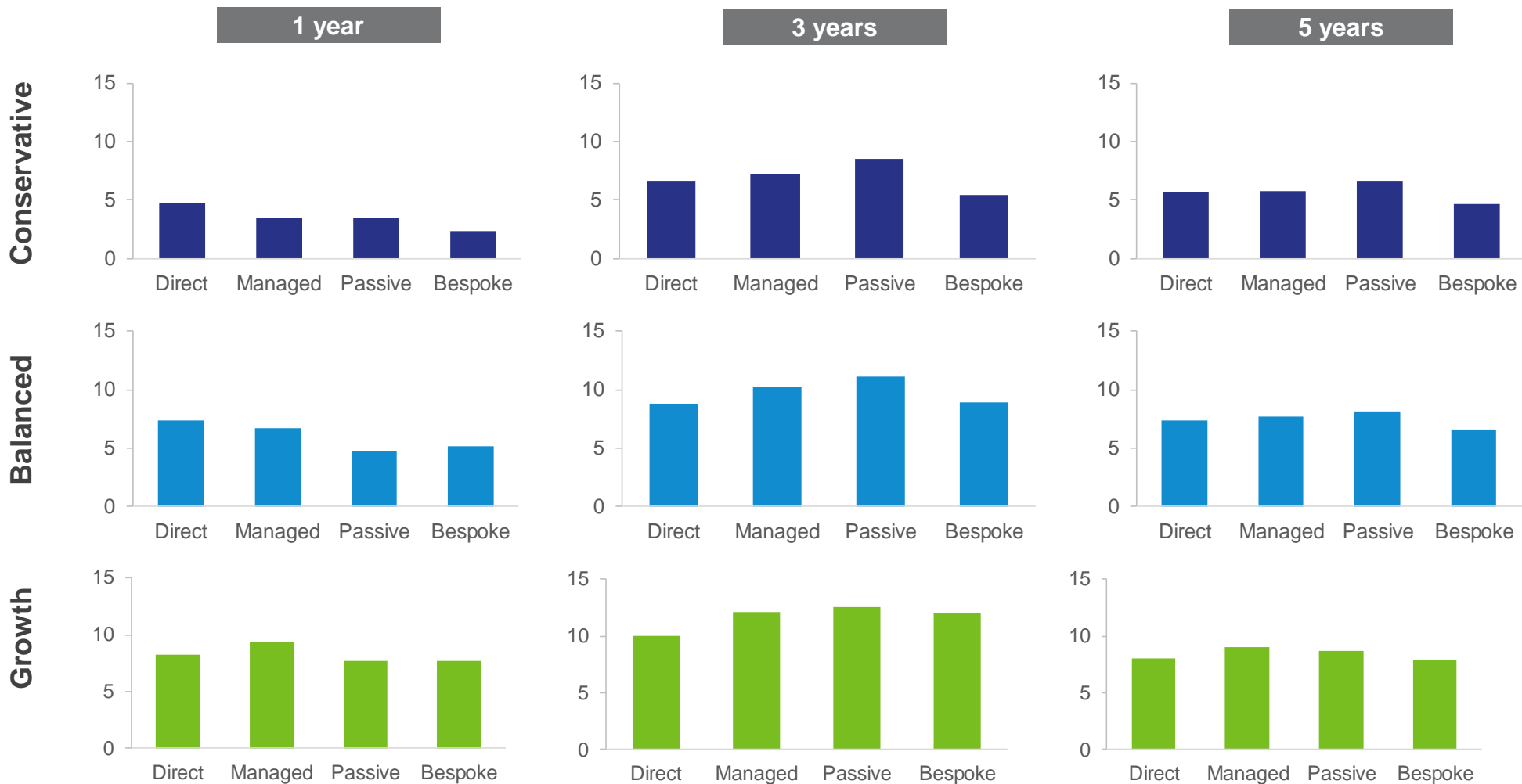
*\*The £10.4bn managed assets at 31 July 2018 also includes other revenue streams such as the Close Inheritance Tax Service, other discretionary portfolio services and sub-advisory relationships*



# Investment performance – absolute

Strong long-term performance for clients

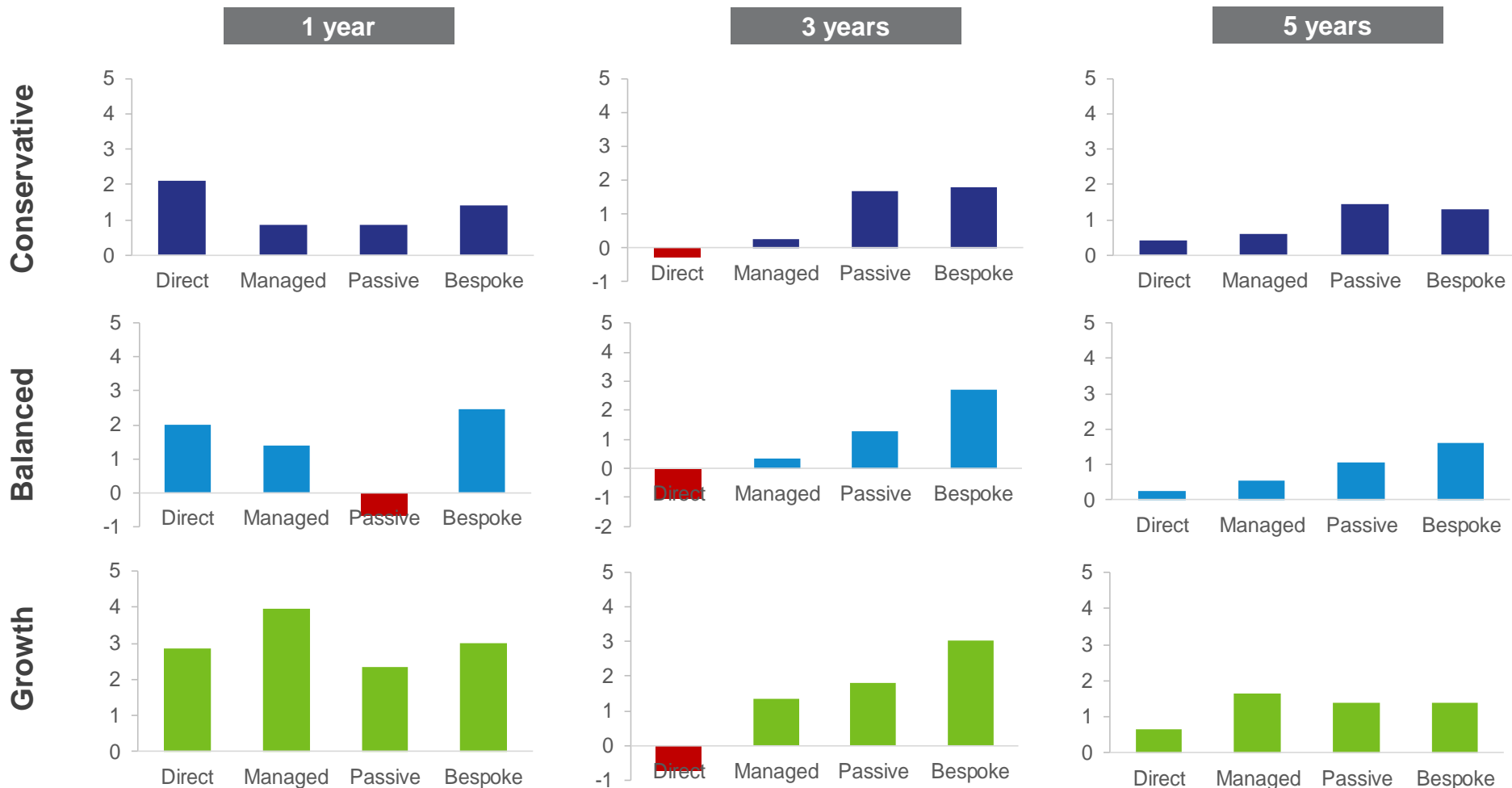
## Close Brothers absolute investment performance – annualised returns (%)



# Investment performance – relative

Strong performance record vs competition

## Close Brothers annualised investment performance relative to peer group (%)



Source: CBAM direct, managed and passive annualised fund performance relative to IA and bespoke relative to ARC benchmark as at 30/09/18

# Summary

## Differentiated investment management proposition

1

### Choice via a range of propositions

- Range of propositions across **risk level, style** and **vehicle**
- Optimised **strategic asset allocation** framework
- Appeals to **widest possible arena** of clients and advisers

2

### Institutional quality and discipline

- **Research** – in house plus 3rd party
- Proprietary **Risk Management System**
- **Collegiate process** with private-client mindset
- Strong **long-term performance** across our propositions

3

### Ongoing investment

- Investment manager **talent**
- **Technology**
- New propositions

# Key takeaways and future outlook

Martin Andrew

Asset Management Chief Executive Officer

# Outlook for Close Brothers Asset Management

A well positioned business with significant long-term opportunity

Long-term growth opportunity

Evolving marketplace

Appetite for advice

Differentiated and client centric

Fee compression

New technology

Regulation

- **Integrated model** presents economic advantages and strategic flexibility
- **Client centric** proposition offers flexibility and choice
- **Strong relationships** provide clear value
- Robust and scalable **technology** platform with **digital portal** optionality
- A need for **high quality advice** that clients are willing to pay for
- **Strong brand** that resonates with clients, advisers and investment managers

# Q&A

# Appendices

# Biographies



**Martin Andrew**  
Chief Executive Officer

Martin joined Close Brothers in 2005 and has been CEO of the Asset Management division since 2008.

Previously he was with Merrill Lynch Investment Managers (MLIM) where he worked in a range of roles in the US and the UK, including strategy, distribution and marketing culminating in leading MLIM's European private client business.

Before MLIM Martin worked for McKinsey & Co in London. He has a First Class degree in Economics from Leicester University and an MBA from Harvard Business School.



**Andy Cumming**  
Head of Advice

Andy has held the position of Head of Advice since July 2014.

Andy joined Close Brothers Asset Management in 2011 when Scott Moncrieff were acquired by Close Brothers and he initially held the position of Head of Advice in Scotland.

Andy was Managing Director of Scott Moncrieff for 12 years prior to its acquisition and he has over 30 years' experience within the financial service industry, incorporating Financial Planning, Investment Advice and Business Development.



**Nancy Curtin**  
Chief Investment Officer and  
Head of Investments

Appointed in 2010, Nancy oversees a successful, award winning team of 55 investment professionals with a highly disciplined investment process.

Nancy has over 20 years' experience including Managing Partner, Fortune, where she ran an alternatives investment business, Schroders where she was Head of Global Investments for its \$20bn Global Mutual Fund businesses and Barings where she was Head of Emerging Markets and served in a range of global asset allocation roles.

Nancy holds a bachelor's degree in political science, summa cum laude, from Princeton University and an MBA from Harvard Business School.





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