

Chief Executive's Review

An ambitious strategy for *growth*

"We always need to give sound advice and manage people's affairs appropriately to achieve good outcomes for them that match the needs-based targets they have set us."

David Nicol
Chief Executive



Overview

We have made encouraging progress in 2016. Financial performance has been resilient against the increasingly volatile and uncertain market backdrop. The strategic transition we have undergone over the last few years, focusing on our core services of discretionary investment management and financial advice, coupled with improving operational efficiency is further evident in 2016 in terms of the continued growth in the core business. Good progress has been made against the growth objectives we have set ourselves as part of this strategy, in particular in the development and innovation of existing and new services to meet different client needs.

Implementing our growth strategy

During our 2015 Capital Markets Day, we highlighted a number of key initiatives in support of our long-term strategy as outlined on pages 28 to 29, especially in relation to our strategic objective to grow our revenue.

This saw us start to capitalise on the intensive preparatory work of the previous three years to generate meaningful, long-term organic growth, with a stated aim to grow our core discretionary business by a third within five years.

Progress in 2016 was encouraging. We are already delivering higher gross inflows of discretionary funds from new and existing clients and have seen our managed portfolio service pass the £1 billion milestone, with funds at year end of more than £1.25 billion.

We achieved this despite the significant challenges we had to face during the year, including the poor market conditions of the

first six months and the residual effects of the business restructuring over the last three years. In addition, we have just started to introduce some of the new services we have in planning and development, meaning that positive impact is yet to come.

Increasing focus on expansion

Overall, this was a year when we initiated expansion as we continued to build a culture that is ambitious and focused on achieving growth. We will expand by helping clients to grow and protect their wealth in order to achieve their goals. As such, we added to our UK wide branch network with the opening of a new branch in Cambridge and focused much energy and effort on hiring the best professional talent we could find.

We have segmented and developed client propositions to ensure that our services are relevant to growing numbers of clients. Progress this year includes the development of new professional services propositions, the introduction of client portals for both our core business and the Brewin Portfolio Service, and the streamlining of the client take-on process. We continue to invest in technology to support our strategy and have implemented new HR and financial reporting systems, upgraded our portfolio management and order management systems and automated the unit trust settlement process.

Our investment ethos is based around long-term horizons that enable us to consistently generate appropriate returns for clients. We have provided our performance data to Asset Risk Consultants (ARC) for the first time this year, enabling external validation of our risk-weighted performance and giving intermediaries the opportunity to assess our performance against our competitors.

Our investment proposition

Why invest in Brewin Dolphin Holdings PLC?

Brewin Dolphin is recognised and trusted, well known for providing investment expertise and trusted advice

During our long history as a respected provider of high quality financial services to clients, we have earned a reputation for integrity and trustworthiness that stands us in good stead today and in the future.

 *See page 14 for further information.*

The future direction of our market place is positive

As the role of the state diminishes, people need increasingly to take responsibility for their own financial affairs, including savings and investments, retirement planning and long-term care. Demand for investment management and financial advisory services is therefore growing, with good long-term prospects for continued growth.

 *You'll find more about this on page 18.*

Our brand, scale and investment in our people enable us to stand out

We are one of the largest wealth management companies in a fragmented sector. We attract and develop the best talent to strengthen existing client relationships, win new ones and help us build an even stronger organisation.

 *We go into greater detail on this subject on page 18.*

We are implementing the growth phase of our strategy

Having strengthened our operations and significantly improved our operational efficiency in recent years, we are now poised to deliver on our strategy for growth by increasing the number of clients we serve and the proportion of their wealth that we manage.

 *Page 28 has more detail on our growth strategy.*

I believe these early results are already confirming that the wealth management sector offers companies with the right strategy and business model significant potential for generating enhanced long-term shareholder returns.

Under our approach, long-term client and intermediary relationships based on respect and trust are underpinned by the commitment of our people and the quality of the advice they provide. These qualities give Brewin Dolphin its unique character and strength, and they will continue to be at the heart of how we operate in the future.

Delivering on our promise

We outlined our strategy for growth at our 2015 Capital Markets Day and highlighted a number of initiatives in development, several of which came to fruition in 2016. I would like to look at some of these, starting with those relating to our most valuable asset – our people.

Building on the strength of our culture and our people, rewarding growth and building an engaged workforce

Staff engagement is the key to high performance, and in 2016 we ran our second “Your future, your say” employee survey to measure and benchmark our overall engagement score.

I was very pleased with many aspects of the exercise. First, 83% of our workforce took the trouble to respond. Even more important, the proportion of those who believed positive action would follow the survey's findings rose substantially from 2015, up by 18 percentage points.

This was due to the way in which we had responded to feedback and suggestions made in the previous survey, implementing initiatives to address reported issues. Comments following the second survey included “Overall communication across the business has improved,” and “Career development has taken a huge leap forward”.

Naturally, I am delighted by such responses, and am also pleased with the improvement of our engagement score to 78%, which is 2% up on 2015 and 3% ahead of our industry benchmark. I am very keen that we continue to take action to improve employee engagement further, as I firmly believe that the stronger it is, the better our overall performance will be.

Uncovering our values

The people who are most important to the success of our business are our employees and our existing and prospective clients. It was therefore only right that we should involve both groups during the year in uncovering and expressing our values.

These were identified as “genuine”, “expert” and “ambitious” – all qualities that have an important role to play in making us an attractive target employer for industry professionals who share our commitment to providing high quality advice and consistently doing more for clients.

Hiring the best

We hired a number of new staff during 2016, of the high quality required to deliver our advice-led and goals-focused proposition. By recruiting new professionals across our branch network, we improved ease of access to quality advice for clients across the country.

Enhanced client acquisition

We recognise that growth will come through successfully expanding the proportion of the wealth we manage for increasing numbers of clients. It is therefore important that we give our people the confidence and capacity they need to seek new opportunities for providing advice.

For this reason, we invested significantly during the year in improving the business development capabilities of our people, including sales training and the launch of a LinkedIn-based programme. We also piloted a lead-generation system during the year, readied our new Client Management System to go live in 2017 and strengthened the link between incentives and growth.

“When we fully explore the source of referrals, we recognise that the client ‘networks’ resulting from the recommendations of happy clients are of significantly more value than had been appreciated in the past; this emphasises more strongly than ever the importance of building close long-term relationships that our clients value.”

Diversity matters

We have established a Diversity and Inclusion Committee as it is important to us that we track, understand and respond to the diversity issues we face.

One issue that is high on our agenda is gender equality, so it was particularly pleasing that more than half (55%) of our senior client facing hires in 2016 were female. The year also saw the launch of our “Women @ Brewin” initiative, in which female employees get the opportunity to meet and discuss career progression with highly successful women from our Board, management and from outside the Group.

On a personal note regarding our approach to diversity, I was tremendously impressed by the Unconscious Bias seminar I attended, one of a series presented across the organisation to help us confront prejudices held as a result of our upbringing and environment. I am certain this training will help us in areas that range from recruiting and promoting the best talent to understanding the goals and motivations of our clients.

See our Corporate Responsibility report (page 46) for more detailed information on 2016 initiatives targeting our people and culture.

Managing risk

I believe that our people collectively have a broader set of skills than our competition. Their quality and expertise are a powerful source of competitive advantage for us, not least because they provide a reduced risk of giving advice that is not appropriate or relevant to our clients’ needs.

Much of the work we have undertaken to improve processes and reorganise the Group has also strengthened our ability to manage risk as we pursue our growth strategy.

“The day the Brexit referendum result was announced, our people reached out to our clients – by phone, email, however suited them best – reassuring them that our focus remained firmly on growing and protecting their wealth.”

Understanding our target clients and their changing needs

We took a major step forward in sharpening our focus on client and intermediary relationships during 2016, when we expanded the Executive Committee to include representatives of client-facing disciplines at the most senior level of the Group. Now the voices of both clients and intermediaries are heard even more where our most important strategic decisions are made, enabling us to understand their requirements and points of view as we develop and refine new ways of serving and interacting with them.

Streamlined onboarding and tighter targeting

We made strong progress during 2016 in developing and refining our understanding of client segmentation and their differing needs. This has increasingly enabled us to create more effective and precisely targeted propositions and messaging, including a range of new services such as offering a choice of managed and non-managed funds.

We have responded to client feedback and streamlined and simplified the client onboarding process, reducing the number of documents involved as well as introducing a number of new technology-enabled methods for clients to communicate and transact with us. These include a range of client portals across our services, and automatic account opening and a mobile app for the Brewin Portfolio Service we launched in 2015. We have more innovations on the way, all focused on further strengthening relationships by listening to, understanding and responding to client needs.

Delivering specialist services

We developed new specialist services during the year for solicitors and their clients, partners in law and accountancy firms, and corporate advisers. These have all been positively received, and are the first services to be launched in a growing portfolio targeting a range of special interest groups.

The way in which we created our services indicates the depth to which we immerse ourselves in our clients’ worlds, so that we can demonstrate detailed understanding of their needs, their aims and their challenges. For example, when developing services for lawyers, we recruited a highly respected professional from outside the wealth management arena and spent time researching and gaining an in-depth understanding of what family lawyers need from a wealth management adviser. This input has enabled us to see the world through the eyes of lawyers and demonstrate genuine understanding of their needs which has contributed greatly to both the quality of the services we provide and to our credibility within the profession.

Monitoring client feedback

There are numerous ways a business can measure success but one of the most important in a client focused business such as ours is customer satisfaction. With this in mind, we commissioned a client experience survey with the aim of examining client perceptions in order to better identify where our strengths and weaknesses lie, to establish a base from which to judge future performance and to help guide the business going forward.

The top line from the survey is that we have been outstanding in every area, with clients rating their satisfaction with our advisers, wider team, and services all at 8.4/10, well above the 2015 industry benchmarks. The net promoter score is a measure of how many clients would recommend our services to friends which can be a powerful source of new business generation. The score is a balance of those who would recommend our business netted against those who would not measured between -100% and +100%. We scored a positive balance of 44.6% compared to a 2015 financial services industry average of just 4.7%. We have included client satisfaction and the net promoter score in our key performance indicators on page 30.

Improving our brand awareness

Our single-minded focus on helping clients achieve their goals was at the core of the range of content-led and event-based client marketing campaigns we ran during the year.

Designed to attract new clients and grow existing relationships, these centred around messages relating to each target segment. They were, however, all based on the new goals-based brand positioning we finalised and rolled out during the year, which is best expressed in the hard-backed book we published exclusively for Brewin Dolphin clients and prospects. "This isn't about us," it says. "It's about you."

Increasing take up of our integrated wealth management service proposition

As a result of our growing emphasis on advice and our focus on meeting the widest possible range of client needs, the number of clients receiving a service that combines investment management and financial planning grew significantly during 2016.

This is enabling us to take a wider role in the lives of our clients, as it allows us to give them a more comprehensive understanding of their total financial position. For this reason, we are continuing to seek and develop increasing numbers of financial advisers and planning professionals.

Enhancing our regional presence

We built further on our already strong regional presence during the year with the opening of a new office in Cambridge and we continue to seek opportunities where the potential for expanding our business is greatest. We are also focused on building a network of regional "hubs", supported by smaller local offices, to enable larger teams of specialist advisers to offer our full range of advisory services to more people.

Charities

We continued to grow and develop our charity business, maintaining a strong position in the marketplace with a position of no. 6 in the UK charity investment industry.

Focusing on the intermediary channel

We were delighted to see strong growth in our intermediary business during 2016, in terms of both a 15% increase in fund inflows and more firms than ever before choosing to work with us.

These positive trends were due in no small part to the ongoing impact of our 16-strong national network of highly respected business development managers who are known throughout the industry for the depth of their experience and knowledge. Their value to us and our intermediary partners continues to grow, and they have contributed strongly to Brewin Dolphin becoming one of the UK's most widely used discretionary fund managers.

During 2016, we introduced a more regionally focused management structure for the network, which is helping us to concentrate more efficiently on specific regional needs and opportunities for sharing innovative ideas and best practice.

Empathy and understanding

I believe that our ability to pioneer new services, such as those outlined above, for solicitors and corporate advisers demonstrates our commitment to building empathy and understanding with intermediaries. Being able to participate fully in client conversations and contribute insight greatly strengthens partnerships, an ethos that extends strongly into our intermediary relationships.

I was therefore delighted but not surprised to read the results of the first Defaqto discretionary fund management review, based on a survey of adviser firms and published in 2016. This showed that Brewin Dolphin not only has the strongest provider brand, it is also top-ranked for client onboarding and rates very highly for investment flexibility and service. Most pleasing of all, we were voted top for the quality of both our administrative and our investment staff.

Our financial performance in 2016

We achieved a good result in the face of considerable uncertainty in the market with adjusted profit before tax from continuing operations of £61.0 million (2015: £62.2 million) and costs being held flat year on year, statutory profit before tax was £50.1 million (2015: £61.0 million). The first half of the financial year was particularly challenging with the FTSE 100 Index dropping to a low in February of 5,537 and then rallying to 6,899 at the end of September.

We made progress against our revenue growth objectives with gross new discretionary funds inflows of £2.4 billion (2015: £2.1 billion) and continued strong inflows into our Model Portfolio Service. Net discretionary funds inflows of £1.1 billion were broadly similar to 2015 as they were impacted by outflows linked to previous business restructuring. Read more in our financial review on page 38.

Looking ahead

These were some of the key initiatives that helped us drive organic growth during 2016. More were at planning, development and early implementation stages during the year, and these will continue to accelerate and consolidate our momentum on many fronts in 2017 and beyond.

The future shape and direction of the business grows clearer. We know what we are doing, where we are going, what we are good at and how we will continue to provide increasing value as we confidently pursue our growth strategy.

We are excited by the great potential that resides in the closer integration of our investment management and financial planning service propositions. And we are consistently ambitious to innovate – continuing “business as usual” is not enough to derive full value for all our stakeholders. We will continue in particular to actively seek new ways of increasing shareholder value throughout 2017 and in the years ahead.

“We scored over 90% on the client outcomes measure of satisfaction with our overall service and results. This is an outstanding outcome and well above the 2015 industry benchmark.”

We will do this not only through introducing new services. We will also ensure that we remain relevant to our clients’ and intermediaries’ needs in every way, using technology to introduce new communication channels and further support our advisers at an administration level so they can spend more time advising and developing opportunities.

We recognise that the world we live in is complex and prone to geo-political uncertainties. Over more than 250 years, however, we have applied the same calm and confident clarity to address some of history’s greatest challenges. Every time we have ensured that the interests of our clients, employees and shareholders are upheld.

Today, we believe as ever that the continuing value of skilled people providing quality advice is the cornerstone of long-term client relationships. With major opportunities for us, I believe our long-term growth prospects have never been stronger.

The near-term market outlook is clearly marked by the heightened sense of political and economic uncertainty, both in the UK and elsewhere. Nonetheless, I believe our business, which is financially strong and willing to innovate and adopt new approaches alongside our traditional values, is well placed to withstand any near term downturns whilst remaining focused on implementing our growth plans. In doing this we are confident of capturing future long-term growth opportunities.

Finally, all members of the Board and Executive Committee join me in thanking our people – at every level of the organisation – for making such a superb contribution to a strong year for the Group in a challenging environment. Their efforts, commitment and expertise are what will continue to support Brewin Dolphin’s success as we deliver together against our growth strategy.

David Nicol

Chief Executive

29 November 2016