

# Solid performance underpinned by our robust business model

“Our commitment to client service...and our distinctive business model give us confidence in the group’s potential for continued growth.”



## Overview

The political, economic and market background of the last 12 months reflects many of the challenging themes of the previous year. Slowing economic growth, heightened tensions in the international trade arena and uncertainties over Brexit have all had an impact on business investment and on markets.

Against this background, Smith & Williamson has delivered a solid set of results, with operating income increasing by 4.3% to £278.1 million (2018: £266.7 million), led by increased professional services fee income coupled with higher market levels and increased banking income. Adjusted operating profit<sup>1</sup> increased by 4.8% to £48.4 million (2018: £46.2 million).

Funds under management and advice have increased 6.5% to £21.4 billion (2018: £20.1 billion), compared to the 2.9% increase in the MSCI WMA Balanced Index and the 1.2% decrease in the FTSE 100 Index in the same period. Organic growth in funds under management has not been as strong as the prior year, reflecting some of the uncertainties referenced above. Funds under administration have grown by 18.8% to £13.9 billion (2018: £11.7 billion).

We remain focused, as always, on the needs of our clients. Our distinctive business model is based on the provision of a comprehensive range of financial and professional services in a personalised manner, delivered via a single, senior point of contact.

This approach continues to support the development of close, longstanding

relationships with our clients, which underpins our ability to deliver solid and sustainable financial returns over the longer term.

## Dividend

The board intends to maintain a progressive dividend policy, distributing not less than 50% of post-tax profits over the economic cycle, subject to consideration of exceptional items, regulatory requirements and the need for reinvestment in the business.

As the group continues with its substantial investment in IT infrastructure, the board is recommending a final dividend of 26.0 pence per ordinary share (2018: 26.0 pence), giving a total return to shareholders of 36.0 pence per ordinary share (2018: 36.0 pence).

## Market environment

In a number of respects, the current geo-political outlook appears to be unusually uncertain. The elongation of the Brexit process has created a number of political and economic risks in the UK and Europe, which are particularly hard to predict. At the same time, the current US administration has taken a markedly more aggressive approach to international trade than any of its predecessors since the 1930s, and its approach continues to create phases of sudden market volatility, interspersed with periods when markets are almost quiescent.

On the regulatory front, having seen MiFID II and the General Data Protection Regulation (GDPR) come into force in 2018, all firms in the investment and wealth management

1. Calculated on the basis set out under key performance indicators on page 22.

sector are continuing to recognise the need for reinforcement of effective processes and we are no exception. There are also changes afoot in the professional services sector as the Financial Reporting Council is replaced by the Auditing, Reporting and Governance Authority and we must prepare for this new regime.

These changes create both challenges and opportunities for our clients and our business. We are committed to being fully compliant with changing regulation, while remaining alert to opportunities for further growth.

### Strategy

We have made good progress in the delivery of our strategy this year, with a focus on three major areas: developing our people, ensuring that we deliver our services in a more integrated manner, and investing in technology.

The formation of the group executive committee, which was established in the summer of 2018, is leading the execution of our strategy, and provides the focus for greater integration across our business as a whole. At the same time, our approach to managing and incentivising our staff now includes a balanced scorecard and a focus on working in unison to ensure the delivery of our services to clients.

We are progressing steadily with our IT programme with good progress on the new investment management system, and extensive planning on the scoping for the practice management system in professional services. On the professional services side, we have rescheduled the timetable for implementation of the practice management system, but still plan to go live by April 2020.

As we noted in the group's interim statement, our plans for a listing are dependent on the successful implementation of the IT programme, as well as a number of governance changes. We continue to plan for a listing to take place at some juncture in 2020, subject to market conditions.

More detail on our strategy and business targets can be found in the co-chief executives' review from page 14 and in the strategy dashboard from page 20.

### Governance, board and culture

The board is committed to good governance, and we will continue to enhance our governance structure and reporting as we prepare for a potential stock market listing.

We have undertaken an internal evaluation of the effectiveness of the board, including the interaction between the board and its committees. The results of that evaluation were considered by the board at a meeting in May 2019 and a number of actions to further improve the group's governance arrangements were agreed.

Shareholders will recall that John Harley stepped down at short notice in September 2018 for personal reasons, as we reported in our interim statement, and I have been chairing the audit and risk oversight committee on a temporary basis since his departure.

I am pleased to report that we have identified a well-qualified successor to chair the audit and risk oversight committee, and we will be in a position to make an announcement as soon as we have received the necessary regulatory approvals.

The board remains focused on the importance of our culture and values, which are at the heart of everything we do and are the foundation of our business. We monitor our culture through internal management reporting and personal interaction with colleagues. This provides the evidence that our teams put our clients first, with a personal approach and focus on delivering the right solutions, and act with integrity at all times.

### Our people

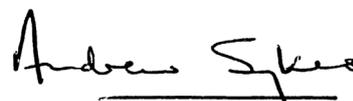
The group's success is based on the talents and hard work of the people who work for Smith & Williamson. I would like to place on record the appreciation of the board for the diligence, skill and dedication of our colleagues throughout the past year.

As our business grows, we remain committed to providing a modern remuneration structure that fairly rewards hard work and to creating a workplace that enables our colleagues to build a capital stake in the business in line with our overall strategic aims. Further detail can be found in the remuneration committee report from page 60.

### Outlook

While markets face short-term uncertainties and regulatory pressures will inevitably continue, our commitment to client service remains paramount. This commitment, and our robust and distinctive business model, give us confidence in the group's potential for continued growth.

On behalf of the group, I would like to take this opportunity once more to express my thanks and appreciation to all our clients for choosing Smith & Williamson as their adviser and business partner.



**Andrew Sykes**  
NON-EXECUTIVE CHAIRMAN

27 JUNE 2019