



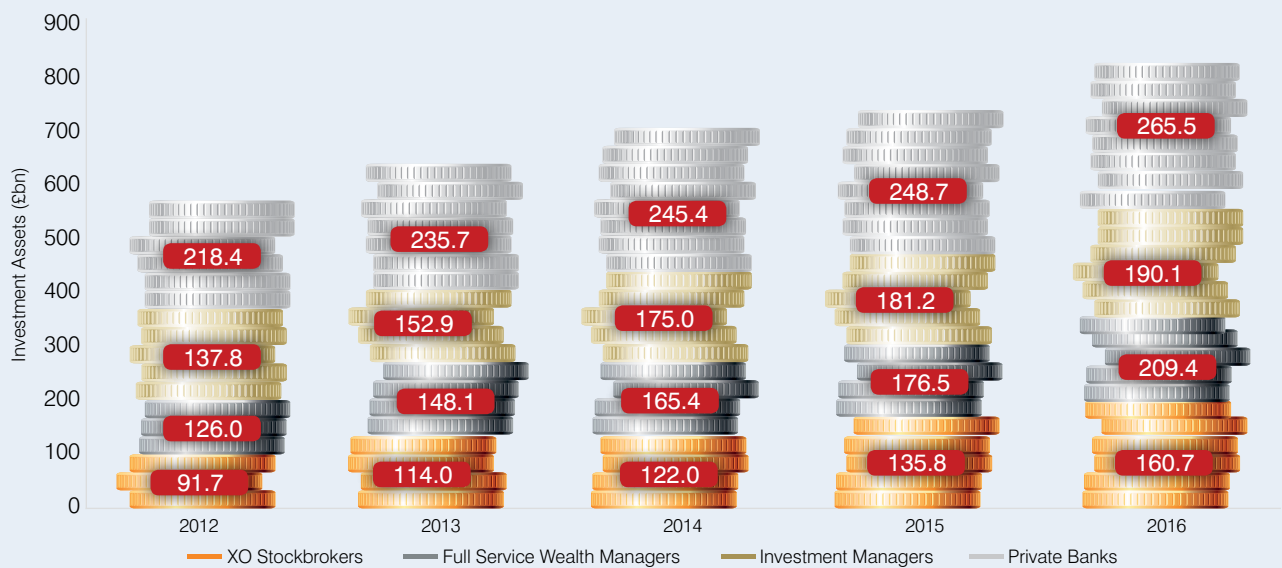
Research Findings

Latest Trends

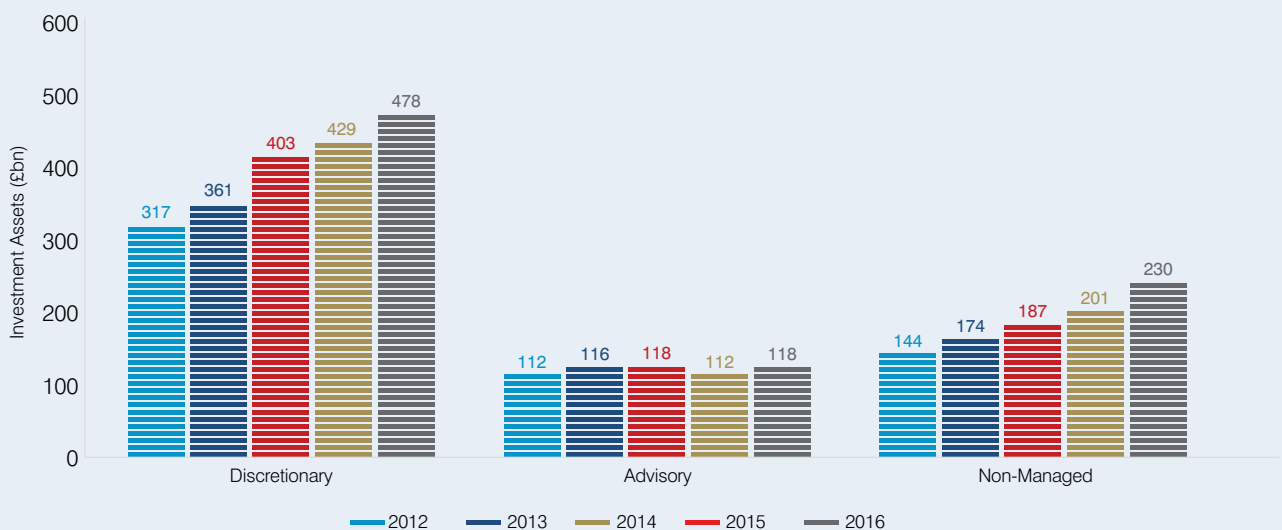
Findings from Compeer's UK Wealth Management Survey

ASSETS

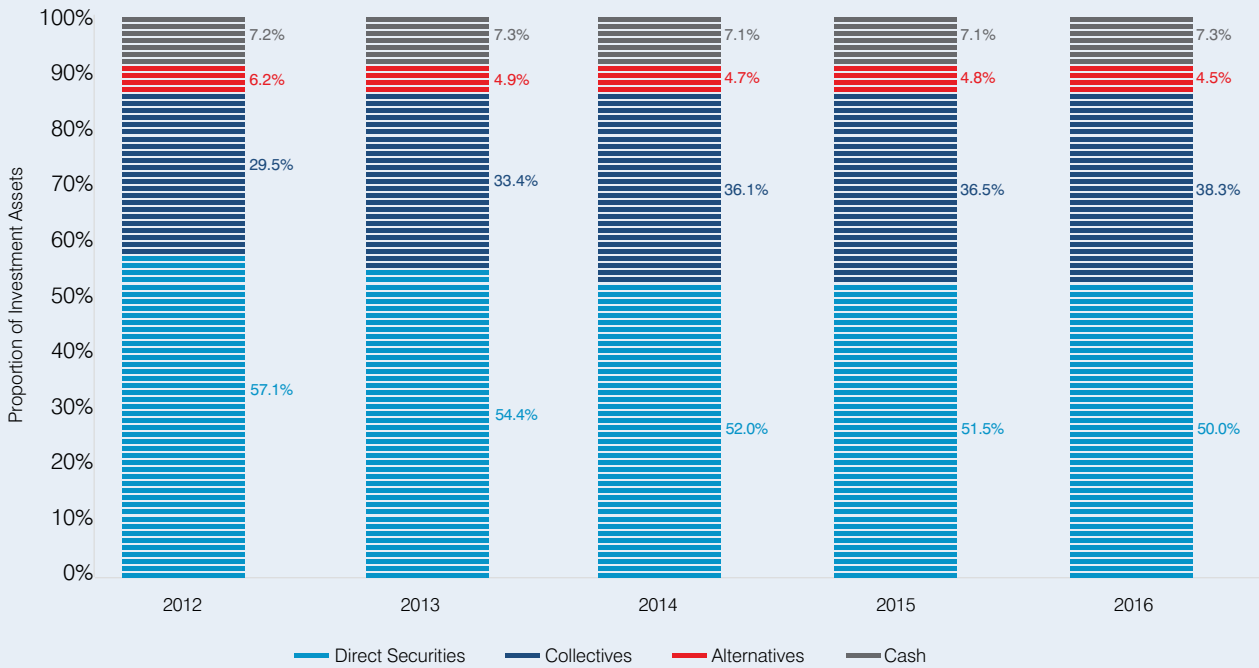
A record is set as assets surpass £800bn for the first time, rising by 11% to £826bn



£49bn of asset growth in discretionary services, providing the driving force in wealth management. Meanwhile, non-managed assets continue to rise steadily and advisory assets remain flat for the 5th consecutive year



Further movement towards collective-based investments, supported by growth in Managed Portfolio Services (MPS), which target lower value clients



SIPP and ISA assets have more than doubled in value since 2010, with further growth expected on the back of increased allowances

ISA Assets
31/12/2016
 XO Stockbrokers: £50.9bn
 Wealth Managers: £81.9bn
 Total: £132.8bn

31/12/2010
 XO Stockbrokers: £20.7bn
 Wealth Managers: £38.6bn
 Total: £59.3bn

SIPP Assets
31/12/2016
 XO Stockbrokers: £39.0bn
 Wealth Managers: £47.8bn
 Total: £86.8bn

31/12/2010
 XO Stockbrokers: £14.8bn
 Wealth Managers: £17.6bn
 Total: £32.4bn

Wealth Managers¹ set another record by achieving **£84bn** of **asset inflows**, with acquisitions playing a key part

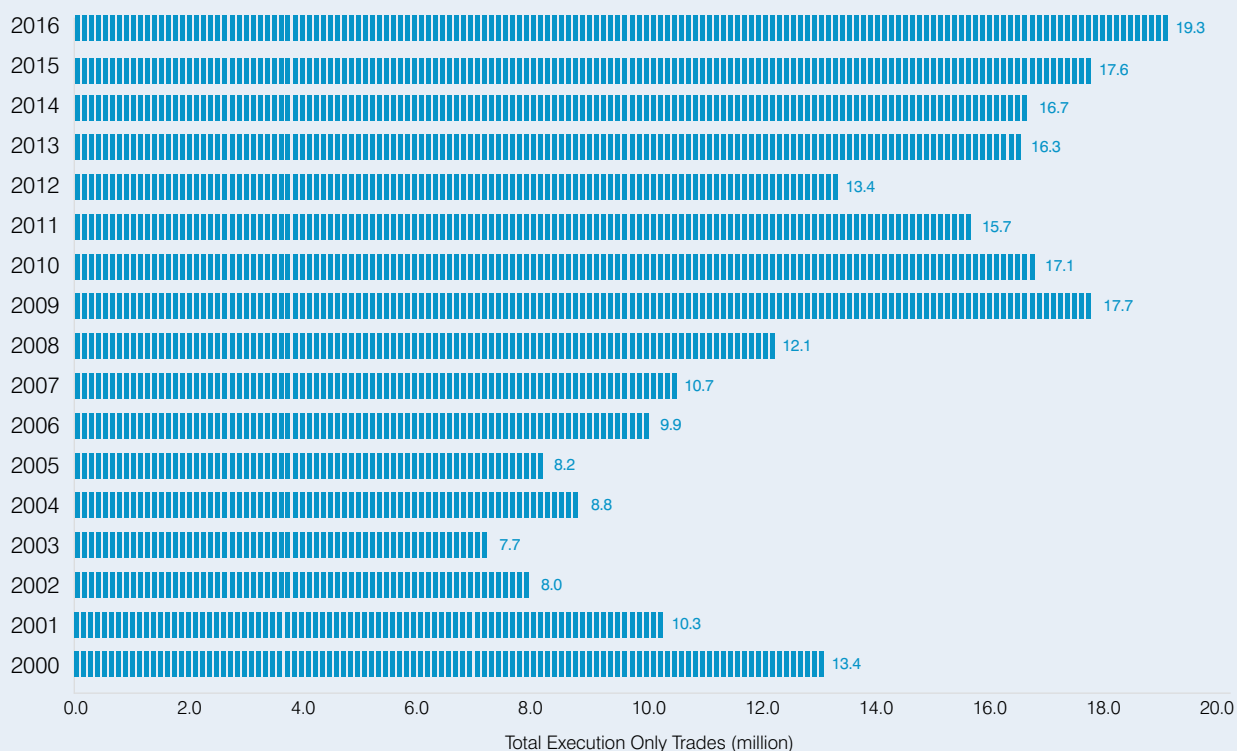
¹Combination of Full Service Wealth Managers, Investment Managers and Private Banks

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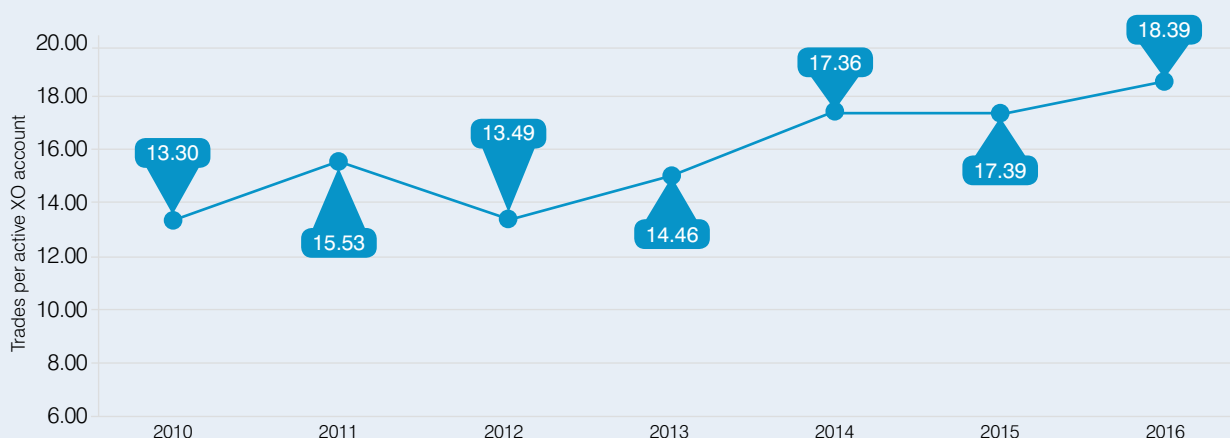


EXECUTION ONLY TRADING

In contrast to Wealth Managers who witnessed reduced volumes, XO stockbrokers transacted 19.3 million trades in 2016, up 9% year on year



Not only are active account numbers² increasing (up to 1.05 million as at 31/12/2016), average trade activity rises for the fourth consecutive year



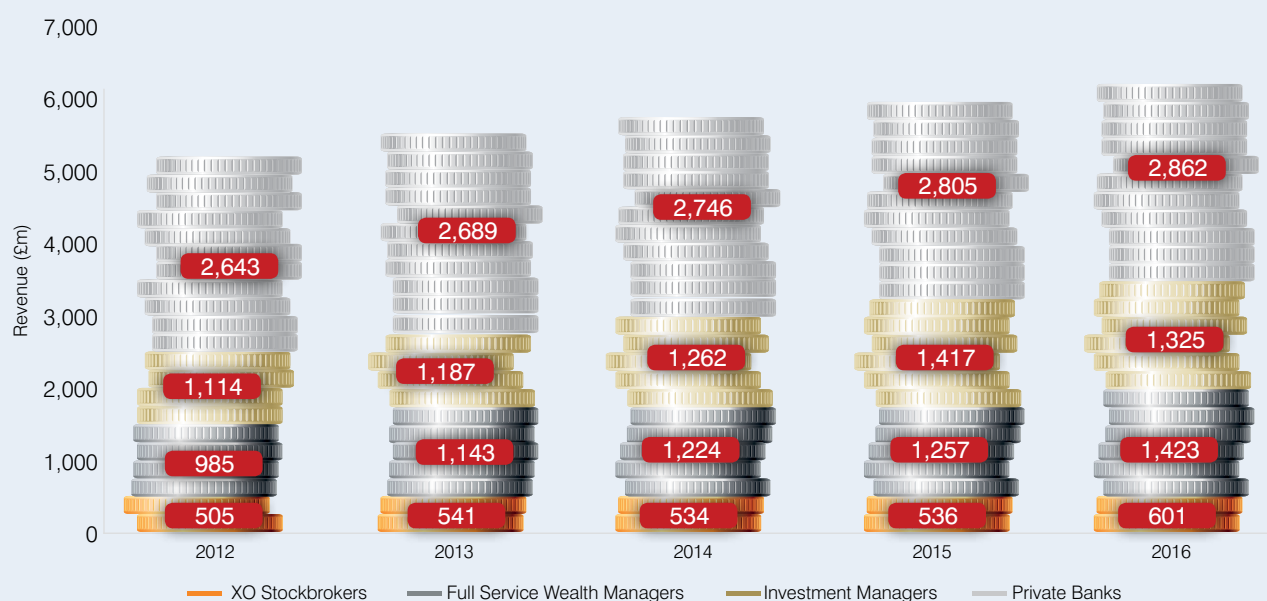
²Active accounts are those that have traded at least once in the last 12 months

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REVENUES

Another year of revenue growth on the back of asset rises, with £6.21bn in 2016 taking its place in the record books



Revenue stream analysis – XO Stockbrokers

	£k		As % Total Revenue	
	2016	2015	2016	2015
Investment Management Fees	66,217	57,362	11.0%	10.7%
Commissions & Brokerage	208,856	188,813	34.8%	35.2%
Custody & Administration Fees	211,937	190,226	35.3%	35.5%
Investment Product Sales	27,635	24,034	4.6%	4.5%
Treasury Income	85,833	75,377	14.3%	14.1%
Banking Fees	358	380	0.1%	0.1%
Financial Planning & Wealth Structuring Fees	41	45	0.0%	0.0%
TOTAL	600,878	536,237	100%	100%

Revenue stream analysis – Full Service Wealth Managers ...

	£k		As % Total Revenue	
	2016	2015	2016	2015
Investment Management Fees	891,769	756,958	62.6%	60.2%
Commissions & Brokerage	371,475	372,854	26.1%	29.7%
Custody & Administration Fees	42,620	41,390	3.0%	3.3%
Investment Product Sales	4,889	13	0.3%	0.0%
Treasury Income	44,994	44,418	3.2%	3.5%
Banking Fees	313	266	0.0%	0.0%
Financial Planning & Wealth Structuring Fees	67,385	41,520	4.7%	3.3%
TOTAL	1,423,446	1,257,418	100%	100%

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Revenue stream analysis – Investment Managers ...

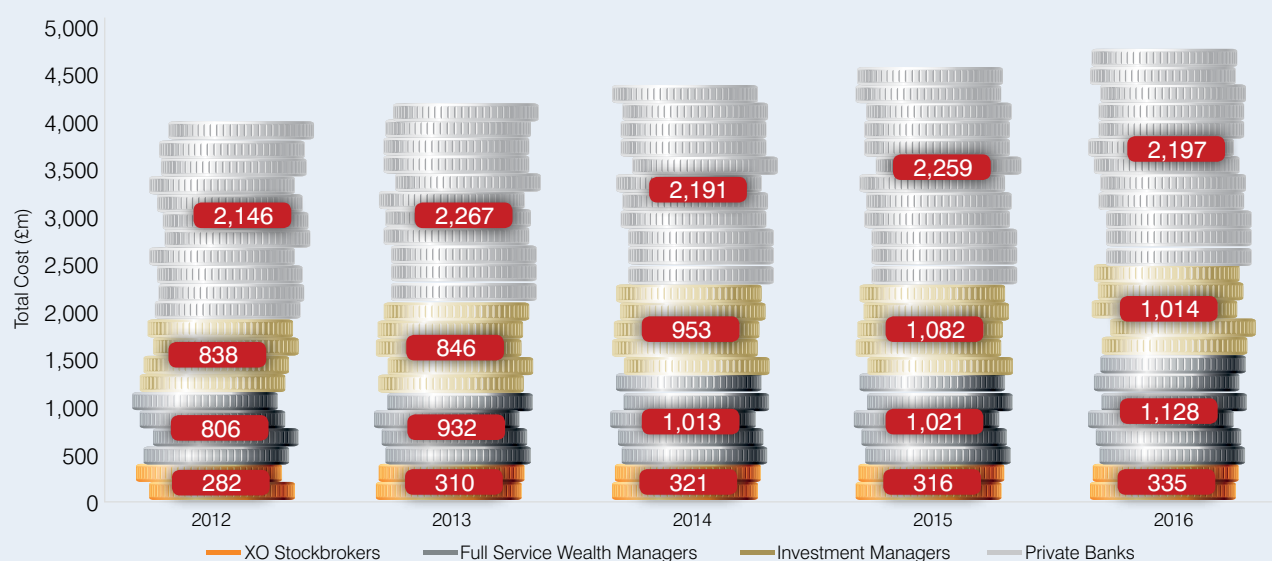
	£k		As % Total Revenue	
	2016	2015	2016	2015
Investment Management Fees	1,081,597	1,140,125	81.6%	80.4%
Commissions & Brokerage	120,650	127,598	9.1%	9.0%
Custody & Administration Fees	11,016	10,280	0.8%	0.7%
Investment Product Sales	861	5,544	0.1%	0.4%
Treasury Income	39,158	41,276	3.0%	2.9%
Banking Fees	164	149	0.0%	0.0%
Financial Planning & Wealth Structuring Fees	71,454	92,344	5.4%	6.5%
TOTAL	1,324,899	1,417,316	100%	100%

Revenue stream analysis – Private Banks ...

	£k		As % Total Revenue	
	2016	2015	2016	2015
Investment Management Fees	1,192,057	1,133,816	41.7%	40.4%
Commissions & Brokerage	273,170	298,222	9.5%	10.6%
Custody & Administration Fees	44,183	48,714	1.5%	1.7%
Investment Product Sales	55,980	54,094	2.0%	1.9%
Treasury Income	1,066,774	1,037,998	37.3%	37.0%
Banking Fees	134,203	135,047	4.7%	4.8%
Financial Planning & Wealth Structuring Fees	95,223	96,994	3.3%	3.5%
TOTAL	2,861,590	2,804,885	100%	100%

COSTS

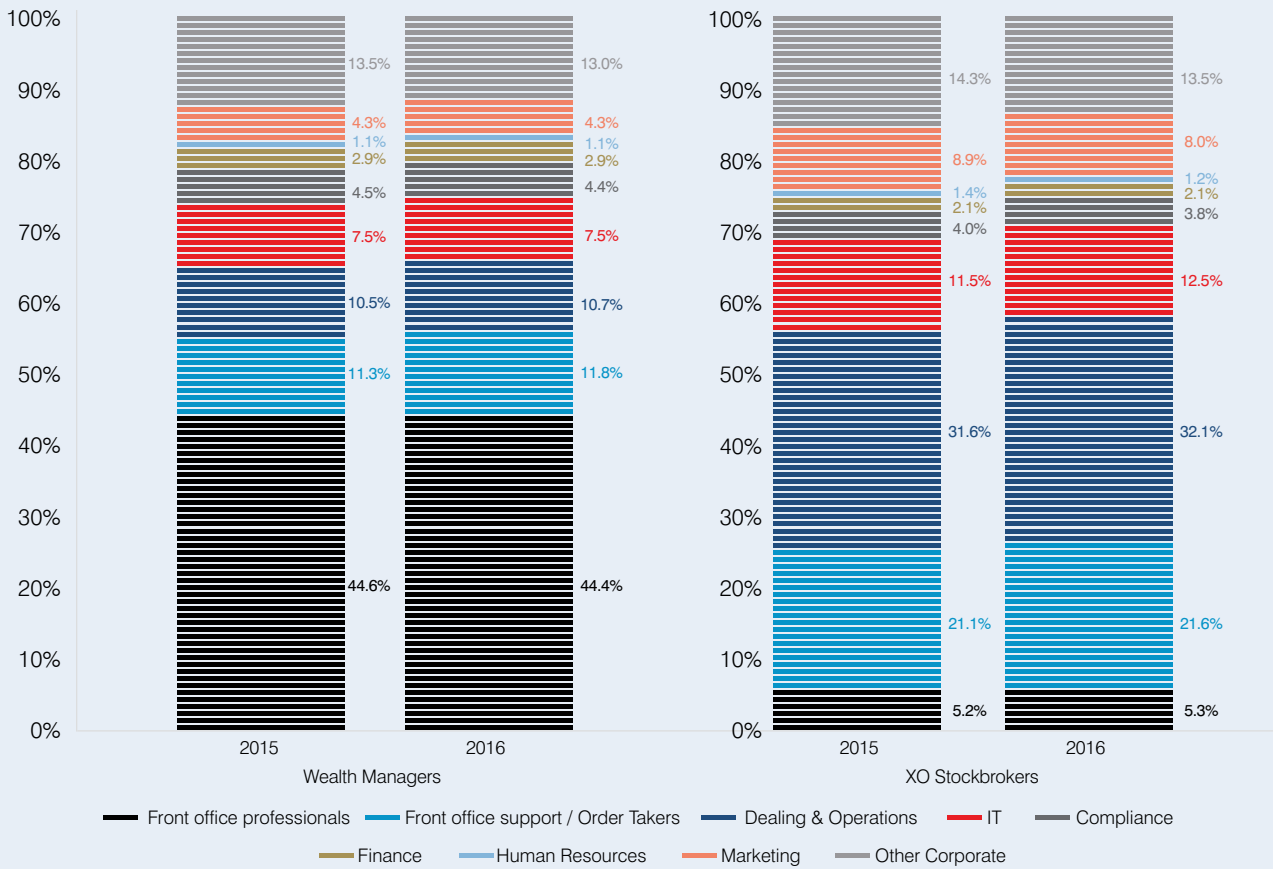
To the surprise of many, costs remain steady year on year despite regulatory pressures and further investment in technology. Total costs amounted to £4.67bn in 2016 (2015: £4.68bn)



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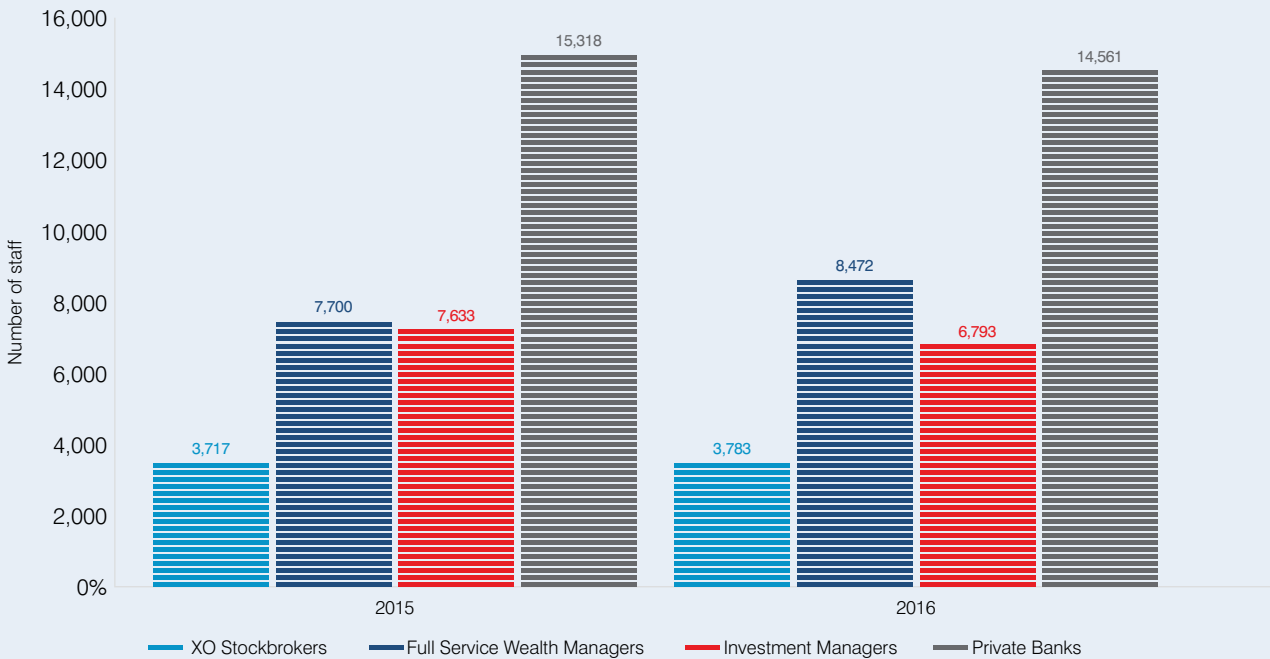


A review of departmental cost proportions



STAFF

As efficiencies improve staff numbers naturally decline, reducing by 2.2% to 33,609



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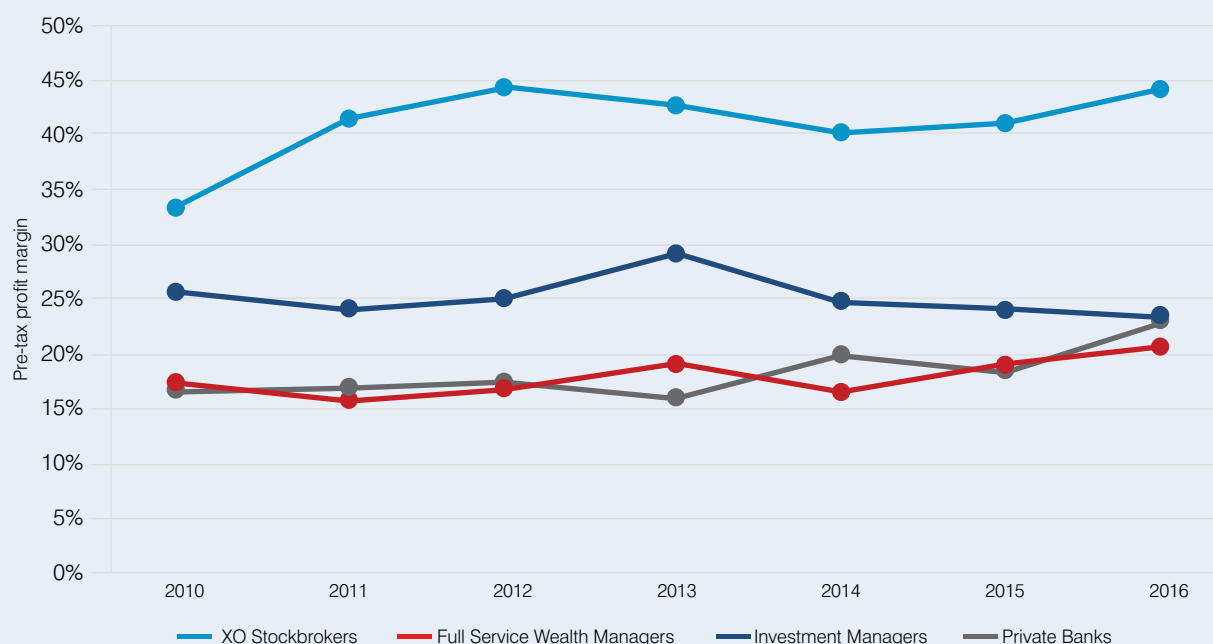


Staff cutbacks across the business with the exception of other product specialists (i.e. financial planners) and support roles for the front office

	Total Staff	% YoY
Sales	894	-3.7%
Relationship management	2,667	-3.8%
Investment management	4,598	-5.9%
Research & strategy	695	-2.9%
Other product specialists	858	9.9%
FO Support/Order takers	5,197	3.9%
Middle office/Client services	3,009	-5.7%
Market dealing	584	-1.9%
Operations	5,179	-0.5%
IT	3,908	-1.4%
Compliance	1,185	-4.9%
Finance staff	1,146	-3.0%
Human Resources staff	460	-2.3%
Marketing staff	947	-0.6%
All other corporate staff	2,282	-7.8%
All Staff	33,609	-2.2%

PROFITS

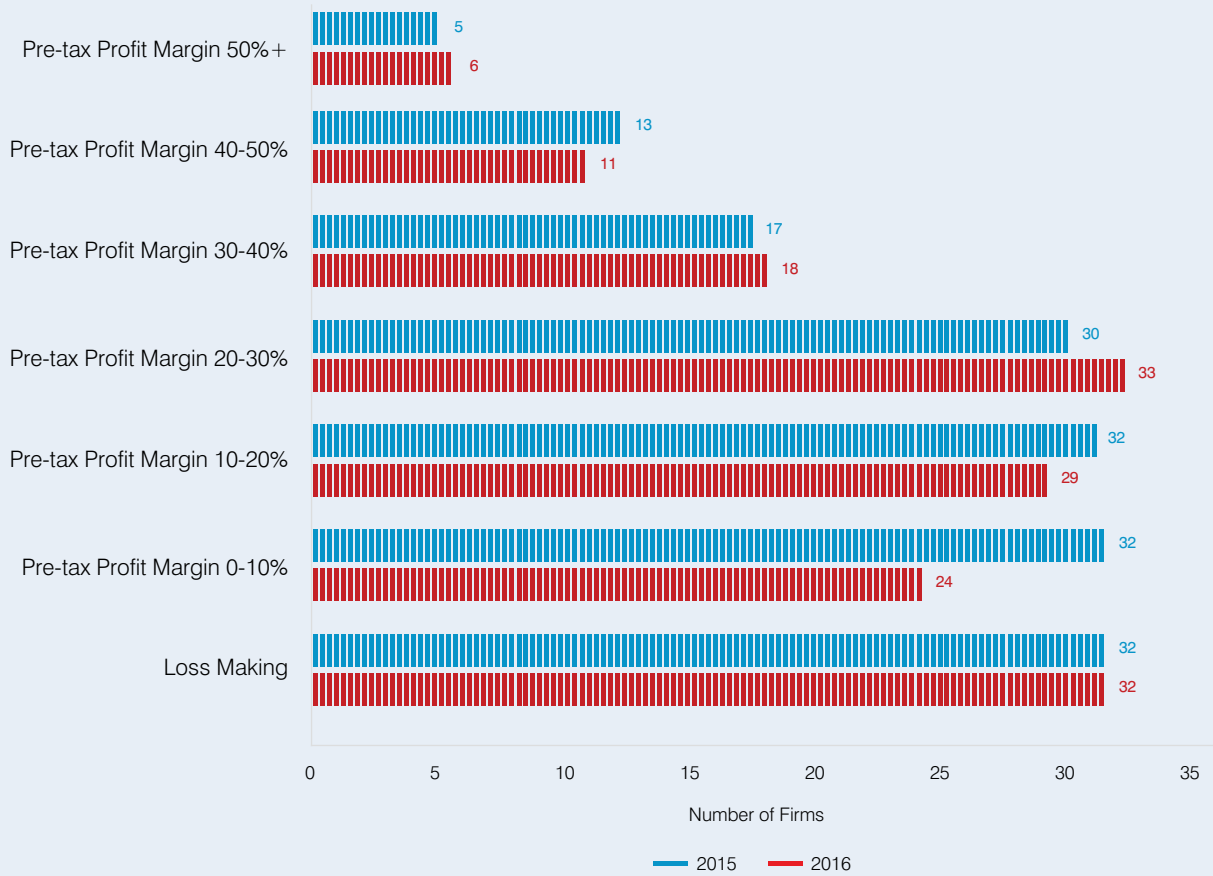
Rising revenues and steady costs results in rise in average pre-tax profit margins



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However, as with previous years, profitability varies significantly from one firm to the next



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