

INSTITUTIONAL CLIENT SERVICES

JON JENNINGS,
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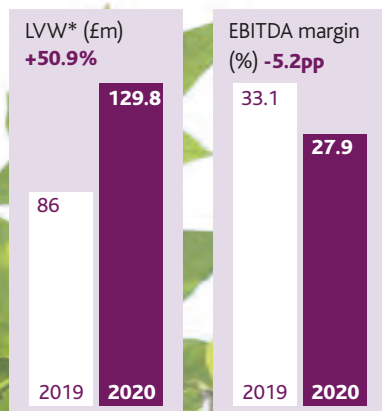
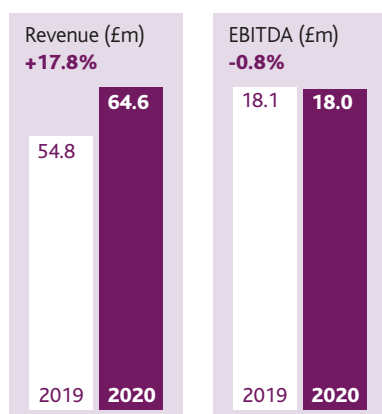
ICS has had a year of strong growth momentum, with strategically important acquisitions, and some of our largest ever new-business wins. It has also been a year of change, where we have reviewed the positioning and go-to-market strategies for both fund and corporate services as well as implementing a revised operating model for our global funds practice.

Revenue grew 17.8% to £64.6m, with organic growth of 6.9% and record new business wins with an annualised value of £13.4m. There was a small decrease in underlying EBITDA of 0.8% to £18.0m and the underlying EBITDA margin fell 5.2pp to 27.9%, although when excluding NESF, which faced particular headwinds due to Covid-19, the underlying margin was 30.6%. We continue to focus on bringing the margin back within our guidance range of 33%-38% and are confident that the hard work undertaken, much of it behind the scenes, will ensure that performance improves over the near-term and is sustainable.

We have expanded materially through acquiring the fund services business, NESF, in the US and the RBC CEES business, which provides us with a leading position in the corporate and employee services market and brings with it a blue-chip global client base. In addition we were delighted to announce, post period end, the

Highlights

- Substantial new mandate wins include Brooks Macdonald International
- Internal operational restructuring of the fund services practice
- NESF acquisition brings an entry to the important US fund services market
- Strong growth prospects from the RBC CEES and INDOS acquisitions



*Lifetime Value Won (LVW) is 10 times annualised value of work won minus value of attrition in past year.

acquisition of INDOS, which will add a sophisticated suite of Depositary, AML and ESG services to our offering and increases our footprint in both the UK and Ireland.

The Division encompasses both fund and corporate services and I believe that there is an opportunity to position these in an increasingly distinct way. The corporate services business is well-established and runs on a traditional, professional-services business model. The same team looks after all of a specific client's needs, and this works well. On the fund administration side of our business, I believe we can perform more effectively for our clients and also more efficiently.

CLIENTS CHOOSE US FOR OUR ABILITY TO DELIVER INNOVATIVE SOLUTIONS AND THE HIGHEST LEVELS OF SERVICE. WE HAVE EXPERTISE ACROSS THE FULL SPECTRUM OF FUND AND CORPORATE SERVICES AND APPROACH CLIENT RELATIONSHIPS AS A LONG-TERM COLLABORATION. IN ADDITION, TECHNOLOGY IS IMPROVING THE EFFICIENCY OF OUR CORE ADMINISTRATION SERVICES, ALLOWING US EVEN MORE CAPACITY TO SERVE OUR CLIENTS' STRATEGIC NEEDS

Fund Services Operational Improvements

A thorough review of our funds practice confirmed that while we have a reputation for service excellence and continue to win substantial new business, this top line growth is not carrying through to the expected margin performance. This is due to the emergence over time of a service delivery model where different components of a client mandate are delivered by separate specialist teams. While this might, on the face of it, have logical appeal, what we know from the corporate and private client parts of the business is that a client focused model is ultimately more efficient and will deliver service levels that are at least as good, if not superior.

To make this change in the fund services practice we restructured the teams in six locations (Luxembourg, London, Jersey, Guernsey, Cayman and South Africa) to create more than ten pan-jurisdictional teams, each led by a specific client director and with each team providing end-to-end service for a defined book of clients. This revised operating model means that each team is now 100% focused on delivering first-class service to their clients from start to finish and the teams are able to grow and adapt alongside their clients over time.

With a change of this type, involving many people in several locations, we would normally allow for a substantial amount of face-to-face engagement to support the change management programme. However, when it became clear in the second quarter that this would not be possible due to Covid-19 travel restrictions, we devised and implemented a virtual programme. I am extremely grateful to everyone involved for their energy and commitment in making the transition to the new model under such challenging conditions.

Of course the key throughout all of this was to maintain the highest levels of client service and appropriate resource was allocated to ensure this. As a result, we only expect to see the benefits of our changes start to come through to the bottom line in the second half of 2021 and beyond.

In addition to improving margins and further enhancing the client experience, these changes will also improve the working experience for our people. For example in our South African office, where many of the service specific teams have traditionally been located, our people can now feel part of the wider team and play a greater role in understanding and responding to each client's specific needs.

Transfer Agency Services

Continuing the theme of having the right people doing the right things in the right places, we understand that certain functions are best carried out closer to

Revenue**£64.6m****Underlying EBITDA****£18.0m**

our clients. One such operation is the day-to-day trading of funds. Therefore we have created a best-in-class function in the UK to handle certain things we previously managed in multiple locations – our Transfer Agency (TA) service.

Our newly configured TA centre of excellence has been able to seamlessly scale from supporting 500 underlying investors to more than 13,000 in less than 12 months. You can read more about the detail behind this initiative in the case study opposite.

Strategic Entry into the US Market

The acquisition of NESF marks an important strategic step for the Division, providing our first material entry into the important US fund services market. The growth potential of the US fund services sector is well-known, predicated on overall scale, the increasing allocation of capital to alternative asset classes and a growing propensity for fund managers to outsource administration and related services, a practice that has so far lagged the European market.

NESF also brings us a very capable and experienced team and leading technology capabilities that we are starting to apply in other jurisdictions. In the near-term, financial performance will continue to be impacted by Covid-19 effects, which have slowed the rate of new fund launches and associated AuM growth. However, we have taken the opportunity to adjust the NESF pricing model to service-based fees, which will deliver real benefits over the long-term.

The team has integrated well into our growing global funds platform and is looking ahead with enthusiasm to securing new, larger markets in the US and leveraging the full support of JTC's global footprint.

Corporate Services

This part of the business has delivered strong and consistent performance for many years, but perhaps without the commensurate visibility – a hidden gem, if you will. We are now working to very deliberately raise the profile of this service line over the coming years. One way to build greater scale and depth is by acquisition and towards the end of the year, we were delighted to announce the acquisition of RBC CEES, a

market-leading provider of employee benefit solutions to major corporate clients. This is a substantial business that brings with it an expansion of service lines we have offered for many years and which also represent a positive and natural fit with our own shared-ownership culture. In addition, it adds a very well-respected team and a complementary marketing network.

From an integration perspective, we have a strong record of transferring bank carve-outs to the JTC platform, and expect to have the business operating at our target margins in the medium-term.

Outlook

Some of our best recent performance has come from winning complex mandates from large asset managers. Despite Covid-19 restrictions, we have been able to intelligently navigate extensive tender processes and help clients to identify exactly what it is they wish to outsource. In doing so, we have demonstrated our ability to act more as a partner and an advisor than just a simple outsourced administrator and this trend is one we expect to see continue.

The restructuring of our funds practice shows that we are prepared to make difficult changes, even in difficult times, but the creation of a client focused operating model, along with specific service line enhancements, such as our TA centre of excellence, places us in a stronger position than ever to win more high quality work and to service that work at our target margins.

Longer-term, technology improvements will put us in a position to absorb additional revenue without having to materially increase staffing levels even as we continue to win substantial amounts of new business.

The acquisition of INDOS provided the perfect start to 2021 and, for ICS overall, I expect to see continued strong, organic growth and further acquisition opportunities in a number of jurisdictions and broad potential to add additional breadth and depth to our service offering.

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CASE STUDY – CREATING A TRANSFER AGENCY CENTRE OF EXCELLENCE



We identified a gap in the market for a high touch, bespoke Transfer Agency (TA) service that could deliver a differentiated level of client service, allowing us to take market share from large, established providers. In doing so, JTC worked alongside a key vendor to develop a sophisticated system designed specifically for Transfer Agency and open ended funds; this investment created a technologically resilient system that is adaptable to regulatory change.

Our strategy has been to leverage this technology and create a TA centre of excellence in London where specialist knowledge and experience is available. By recruiting experts with practical knowledge and experience we have been able to create a best-in-class service proposition governed by a robust control environment and which adheres to jurisdictional specific regulations.

The key to our success has always been that we put relationships first and focus on creating a true partnership with our clients. This is achieved by being visible, regular communication and taking a proactive approach. This includes identifying upcoming regulatory change and also enhancing our systems to increase automation and leverage efficiencies in order to reduce manual intervention. Not only does this allow us to become more efficient, it increases accuracy which in turn builds confidence

and ensures that existing clients entrust us with more opportunities as they arise and also provide very positive references for prospective clients.

JTC's TA service has grown significantly throughout the pandemic, enabled and supported by a number of substantial new client wins, including the Brooks Macdonald International mandate. The entire lifecycle – from the initial pitch through to team recruitment and the very successful migration of work to JTC on an outsourced basis – was all achieved under working from home conditions.

JTC's growth in this space can also be attributed to our ability to provide a 'full service suite' – offering everything from management of post through to fund accounting and providing company secretarial services. This means that clients can have one point of contact for all their TA-related administrative needs.

Our growth journey in this space has been fast, innovative and organic and has enabled us to create an offering that sets us apart. The approach taken is deliberate and considered, with a focus on providing the best service offering coupled with competitive fees. We look forward to further growth and development whilst also maintaining impeccable client experience and ensuring a consistent and stable service.