

# Interim Management Statement

## Hargreaves Lansdown Plc

Hargreaves Lansdown Plc ('the Group') publishes today its Interim Management Statement as required by the UK Listing Authority's Disclosure and Transparency rules. This statement covers the period from 1 January 2014 to 15 April 2014, and includes trading results for the three and nine months ended 31 March 2014.

### Highlights

- Record level of Assets under Administration ("AUA"), an increase of £2.3 billion in the three months to 31 March 2014 to £45.7 billion (31 March 2013: £35.1 billion).
- Record quarterly net inflows of £1.83 billion in the three months to 31 March 2014 (2013: £1.80 billion).
- Record cumulative total net inflows of £4.63 billion in the nine months to 31 March 2014 (2013: £3.44 billion).
- Year-to-date total net revenue up by 8% to £216.0 million.
- Net new active Vantage clients up 33,000 in the quarter (2013: 30,000)
- Total active clients as at 31 March 2014 617,000 (31 March 2013: 483,000)

### Chief Executive's Statement

We are pleased to report net inflows of £1.83 billion, a record for any quarter in Hargreaves Lansdown's history. Net inflows for the year to date, at £4.63 billion, are up 35% on the comparative nine month period. Assets Under Administration now stand at £45.7 billion, (31 March 2013: £35.1 billion), up 30%. Active Vantage clients now number 609,000 (March 2013: 476,000), a rise of 33,000 in the quarter (2013: 30,000), a 10% improvement on last year, and a rise of 133,000 in the last 12 months.

We are also pleased with the 6% increase in net revenue for the quarter to £73.7 million (3 months to 31 March 2013: £69.5 million). New clients and accounts have generated increased revenue whilst UK stock markets (a key driver of revenue levels) have been muted, falling by 1.5%. Interest rates have remained low, prolonging the drag on our interest income. Whilst not reported on a quarterly basis, operating costs have continued to be well controlled.

Our first class service, investor confidence and the attraction of equity investment in comparison to cash in the continued low interest rate environment have all contributed to our continued growth. Positive stock markets around tax year end can be helpful and given that the FTSE All-Share index fell 1.5% in the key quarter to March, compared to a 9.3% increase in last year's comparative quarter, we are additionally delighted with our performance. In January 2013 following the implementation of RDR1, transfers in stock between platforms were introduced affording a significant boost to our business at that time. At the same time net new business was boosted by the introduction of a SIPP loyalty bonus. The comparative third quarter of 2014, whilst not enjoying the same regulatory boost, nevertheless delivered substantial net transfers in to Hargreaves Lansdown. The overall effect was a record third quarter for net inflows.

This quarter has seen the transition to the arrangements required by the Retail Distribution Review 2 ("RDR2"). These new rules went live on 6 April 2014. We are pleased that in making these changes Hargreaves Lansdown was able to reduce the cost of investing for the majority of our clients, and deliver these strong results at the same time.

We have been satisfied with our implementation of the new rules to date. Hargreaves Lansdown offers a high quality, secure, competitive, low cost service for the general public. Clients are clearly attracted to the discounts we have negotiated for clients on our "Wealth 150+" funds. Over 30% (£250 million) of all new fund investments in March were into Wealth 150+ funds, and over 40% in early April. The extensive operational and technology changes required for the new rules have also been integrated into the service without major issue.

Hargreaves Lansdown has always aimed to be the best for overall value. We are happy with our current strong position, but not complacent. As the recent price changes continue to be absorbed we will keep the marketplace under review and listen to the feedback from our clients to ensure we remain the best value place for the UK public to buy investments.

The spring budget announcements were the other big news of the quarter. The changes announced represent a sea change in opportunity, with exceptional reform of Pensions, a higher ISA limit and more simplicity. More importantly,

positive voter and press reaction have signalled to politicians that pensions and investments are an important potential vote-winning subject. We may now find that there is more enthusiasm about retail investing, something Hargreaves Lansdown has long campaigned for.

We are enthusiastically preparing to service these new and welcome flexible arrangements, including continuing to look at the potential for enhanced cash services. As one of the largest providers of high quality, low cost ISAs and modern drawdown pensions in the UK we should stand to benefit from these changes. We also welcome the 0.75% charging cap on default funds in Corporate Pensions. As a modern, efficient, low-cost provider of corporate pensions this cap will be easily accommodated and should lead to more employers considering switching from older, expensive, poor service schemes.

Looking forward, the launch of the fund manager Neil Woodford's new venture will clearly create interest. Having delivered the regulatory change our development capacity can now return to assisting in augmenting the momentum we have built up. We look forward with optimism to a successful full year and new and exciting opportunities.

**Ian Gorham, Chief Executive**  
**April 2014**

## Assets Under Administration (AUA)

Total assets under administration can be broken down as follows:

	31 Mar 14 £'billion	31 Dec 13 £'billion	30 June 13 £'billion	31 Mar 13 £'billion
<b>Vantage Assets Under Administration (AUA)</b>	<b>43.1</b>	<b>40.9</b>	<b>34.2</b>	<b>33.0</b>
<b>Assets Under Administration and Management (AUM)</b>				
Portfolio Management Services (PMS)	2.6	2.5	2.1	2.1
Multi-Manager Funds held outside of PMS	1.7	1.6	1.2	1.1
<b>AUM Total</b>	<b>4.3</b>	<b>4.1</b>	<b>3.3</b>	<b>3.2</b>
Less: Multi-manager funds (AUM) included in Vantage AUA	(1.7)	(1.5)	(1.2)	(1.1)
<b>Total Assets Under Administration</b>	<b>45.7</b>	<b>43.4</b>	<b>36.4</b>	<b>35.1</b>

The value of assets held within the Vantage service, the Group's direct-to-private investor platform, increased by 5.4% from £40.9 billion at 31 December 2013 to £43.1 billion at 31 March 2014. During the same period, the UK stock market fell by 1.5%. The increase in assets can be attributed to £1.77 billion net new business inflows and a £0.43 billion positive impact of the market and other growth factors during the period. During the nine months to 31 March 2014, net business inflows to Vantage totalled £4.36 billion compared with £3.26 billion during the nine months to 31 March 2013.

The third quarter leading up to the tax year-end on 5 April is the most important in the financial year from the perspective of gathering assets. In the full tax year ended 5 April 2014, new Vantage and PMS ISA contributions were £2.03 billion compared with £1.38 billion for the tax year ended 5 April 2013. The Group also continued to attract transfers of assets into its Vantage ISA service. Investments into the Vantage and PMS Self Invested Personal Pensions (SIPPs) including transferred business, new contributions and basic rate tax relief were £2.75 billion in the tax year ended 5 April 2014, compared with £2.21 billion in the previous tax year. There have been further inflows outside tax shelters, namely into the Vantage Fund and Share account.

The number of active Vantage clients increased by 33,000 over the third quarter, from 576,000 as at 31 December 2013 to 609,000 as at 31 March 2014. The number of active accounts held by these clients increased from 816,000 to 857,000 and included an increase of 12,000 SIPP accounts and 23,000 ISA accounts, taking the totals to 180,000 and 440,000 respectively.

The value of assets held in Hargreaves Lansdown's Portfolio Management Service (PMS) and range of multi-manager funds, increased by 5% from £4.1 billion as at 31 December 2013 to £4.3 billion as at 31 March 2014. This figure includes £1.7 billion (31 December 2013: £1.5 billion) of Hargreaves Lansdown multi-manager funds administered through Vantage.

## Operating revenue

	Third Quarter of Year Ending 30 June 2014 £'million	Third Quarter of Year Ending 30 June 2013 £'million	Increase	9 Months Ended 31 March 2014 £'million	9 Months Ended 31 March 2013 £'million	Increase
<b>*Operating net revenue by division</b>						
Vantage	55.4	53.5	+4%	162.6	154.5	+5%
Discretionary	11.4	8.8	+30%	33.1	24.1	+37%
Third Party & Other	7.0	7.3	-4%	20.3	22.3	-9%
<b>Total</b>	<b>73.7</b>	<b>69.5</b>	<b>+6%</b>	<b>216.0</b>	<b>200.8</b>	<b>+8%</b>

\* Operating net revenue is total revenue after deducting any loyalty bonus paid to clients. Gross revenue for the third quarter was £91.1m and the loyalty bonus was £17.4m (Q3 2013: £76.3m and £6.8m).

As from 1st March 2014 the new RDR pricing tariff was introduced which meant a significant increase in the loyalty bonuses paid to clients holding legacy fund units and the addition of a new direct platform charge on the value of funds held. In order to aid comparability the prior periods have also been presented to show net revenue.

Operating revenue for the third quarter is 6% higher than the corresponding quarter last year. Higher asset values and new business inflows have been the key drivers of the increase in revenue along with strong share dealing volumes, which at 855,000 deals for the quarter were up 44% on the same quarter last year. Based on data compiled by Compeer they estimate that our share of the UK execution only stockbroking market was 23.6%\*, up from 18.4% in the same quarter last year.

## Financial position

On 11 April 2014 the Group paid an interim dividend totalling £32.9m, as announced in February in the Interim Report. The Group's operations remain highly cash generative. The Group has remained free from debt and maintained a strong cash and balance sheet position, with a high surplus of regulatory capital.

\* The latest quarter's market share is an estimate by Compeer Limited and is subject to finalisation.

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## Forward looking statements

*This announcement contains forward-looking statements with respect to the financial condition, results and business of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. The Group's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. This announcement is unaudited. This statement should not be seen as a promotion or solicitation to buy Hargreaves Lansdown Plc shares. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.*

*Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.*