Quilter

# Quilter plc 2018 interim results

## Wednesday 8 August 2018

Paul Feeney
CEO: Good morning, everyone. Welcome to our first results presentation as a listed company.

We have deliberately started a bit early this morning. We know that one of our competitors is reporting a little bit later and we wanted to make sure that those of you cover them as well as us are able to make both presentations.

Now, we have shared a lot with you over the last few months and so this session is going to be quite focused.

I am going to review the highlights, Tim will then take us through the financials, and then I'll be back to summarise and take questions. We will aim to be done by about 9.30am.

It has been a busy first six months with the highlight being, of course, our listing on the London and Johannesburg Stock Exchanges.

Before I get into the detail, I do want to formally record my thanks to all those who worked incredibly hard over a two year period to complete our listing six months ahead of the original deadline.

As well as getting our listing over the line, our focus has been on delivering good results which is exactly what we have done.

Despite a more challenging environment for flows, we are pleased with Net Client Cashflow, excluding Quilter Life Assurance, of £3 billion. And we saw strong growth in integrated flows which increased to £2.8 billion. I will drill down on these in more detail in a moment.

We were also really pleased with good profit growth in this period. Adjusted profit was up 16% to £110 million and EPS was up 25% to 5.5p.

Our Platform Transformation Programme remains on track, on time, and on budget. I'll say more about this later too.

We completed the sale of our Single Strategy business just after listing. And we are delighted to announce that the Board has decided to pay a special interim dividend of 12p per share. We are returning all of the surplus proceeds, around £220 million to our shareholders

So, a busy but very good six months. And we are very much where we expected to be at this stage.

Now, let's look at flows in more detail.

Let's start by looking at flows from a longer-term perspective.

Last year was a record year for flows across the industry and for us also. And while the first quarter this year was strong, the second quarter's been somewhat slower.

Along with our peers in 2017, we benefited from a positive market backdrop as well as good volumes from transfer activity.

Now, as the graph here shows, while actual quarterly flows can be quite variable, we have consistently delivered growth in both benign and more challenging markets.

What we do need to recognise is that not all flows are equal. What's really important for us in terms of driving revenue and profit is, of course, integrated flows. And as you can see, these were up strongly year on year.
Also while we have not seen industry data for Q2 yet, in Q1 we took market share relative to our advised platform competitors. And that is something that we are obviously pleased about.

A few words on DB to DC pensions. We think that the trend here is a structural shift that will continue to underpin flows for many years to come. But it is clear that the regulatory and operational mechanics of these transfers is still evolving and so a more measured market is a good thing. This is too important an issue not to get right for customers.

Let's look at the flow numbers in detail.

As I said earlier, excluding Quilter Life Assurance, our Net Client Cashflow was £3 billion. As a proportion of opening AuMA this was 6% on an annualised basis and so ahead of our 5% target.

Overall we have seen excellent growth in Net Client Cashflow for the Advice and Wealth Management segment at £2.3 billion. This is up 10% from the £2.1 billion seen in the first half of 2017, principally reflecting strong flows for Quilter Investors in Cirilium, but a slower Q2 for Quilter Cheviot.

The Wealth Platform segment contributed Net Client Cashflow of £1.2 billion versus £2 billion in the first half of 2017.

However, this masks another strong performance from Quilter Wealth Solutions, our UK platform, which matched the record flows of last year. But the slow start to the year in Quilter International that we indicated in Q1 has continued in Q2. And with the run down in the institutional book, outflows in Quilter Life Assurance business were as planned.

As you know we add together these flows where we have more than one touchpoint. That's why we call them integrated flows and they are more valuable to us in terms of generating margin and revenue – as the results of the half year here are clearly showing.

So, the most important number to me on this slide is the 17% in the bottom right-hand corner. That is the increase in integrated flows. These were up from £2.4 billion in 2017 to £2.8 billion in 2018.

As we know, Quilter Financial Planning plays a key role here generating:

- £1.4 billion or 78% of Quilter Investors' net flows;
- £117 million or 20% of Quilter Cheviot's net flows;
- and £0.6 billion or 29% of Quilter Wealth Solutions' net flows.

Direct flows onto our platforms and into our overall propositions also are an important of new business generation for us. During the period we attracted non-integrated Net Client Cashflow totalling £1.7 billion.

So, a solid outturn for flows in an environment that has had pockets of challenge.

Let me now turn to the two business segments.

Back at our showcase presentations, we said that the Advice and Wealth Management segment would be the growth engine for our business. And we certainly saw that come through in the first half.

We have continued to grow the numbers of restricted financial planners in Quilter Financial Planning and Quilter Private Client Advisors and have recruited new investment managers in Quilter Cheviot.

An increase in assets under management of £1.5 billion or 9% within Quilter Investors since the year end, and this has led to revenue up 22% to £181 million.

During the last 12 months we have been investing in the Quilter Cheviot investment team and Investment Manager headcount has increased by nine over the year to reach 168 at the end of June.

However, I want to be balanced in my comments. Since listing we have had 12 resignations, which indicate that Investment Manager headcount will fall back in the short term to around the level of a year ago. As this is a people business, we would not be surprised if these departures led to higher than trend outflows in QC in 12 to 18 months' time. Of course, client support plans are in place just as you would expect.

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Beyond this, we have actually been really pleased with both staff retention and the small increase in the level of asset retention in QC which reached 92% in the first half.

Finally for this slide, I wanted to highlight the improved productivity per advisor within Quilter Financial Planning which is up to £1.8 million from £1.6 million a year ago. This is, of course, something we remain focused on as a key leading indicator of performance.

We have continued to deliver good, medium and long-term investment performance for our clients.

All of our discretionary and multi-asset funds are performing well against customer targets and have met their relevant target outcome.

Within Quilter Investors we remain pleased with medium and long-term performance, especially in the Cirilium range. Short-term performance in certain portfolios has been held back somewhat by a range of factors, but investment performance over the long term remains a top priority.

Now turning to Wealth Platforms.

This is obviously the more established part of our portfolio and we were really pleased with the overall outcome here. At a segment level revenue growth was up 3% and costs were down by a similar amount, which delivered positive operating leverage and good profit growth as you'll hear from Tim later.

Let me walk you through each of the businesses.

First, we saw flat revenues in Quilter International – obviously not where we want to be. But not surprising given the slow flow outturn that I mentioned earlier.

So, why flat?

We have taken Quilter International through a major transformation. Over the past two years it has withdrawn from 84 markets, placed renewed emphasis on best practice and has been targeting higher quality new business. This has put the business in a stronger position for long-term success and positioned it well for the inevitable regulatory change that is coming in overseas markets, just has been the case in the UK. However, it will take a bit of time to get back to be firing on all cylinders.

Secondly, we saw a decline in revenues as the book runs off in Quilter Life Assurance. Again, completely in line with our expectations. Overall that business has delivered flat profits as we look to manage the cost profile in line with revenues.

We are making good progress in delivering remediation for customers who fall within the terms of the FCA's thematic review and believe there are £69 million provision remains sufficient, although this is obviously subject to conclusions that the FCA eventually reach from their review.

But most importantly – the jewel in the crown – you can see the strong revenue growth momentum in our UK platform business: Quilter Wealth Solutions. Here we delivered revenue growth of 10% off the back of annualised Assets under Administration growth of 8%. And of course, that growth has been achieved on our existing legacy platform. There really is a huge opportunity to be even better once the new platform is up and running.

UK platforms are obviously a hot topic right now, with competitors either having recently listed or announcing plans to list.

Let me be clear, we think the key attributes for success in the platform space are:

- Scale – we are the second largest advice platform in the country.
- Service – we consistently win awards for best in class performance here, and
- Good technology – we are in a decent position now and it's about to get a whole lot better.

We don't think that there will be a big market for platform consolidation; at least not at the multiples that potential sellers would like to see. So, ultimately, weaker platforms are likely to wither on the vine.

Our scale, client and advisor proposition, combined with our new platform technology will ensure we have all the attributes that we need to be a winner in this market segment as our current profit growth trajectory is already demonstrating.

So, where are we with the Platform Transformation Programme?

I am pleased to confirm that we remain on track, on time and on budget with this critical programme. We are making great progress.

All the core code for the system has now been written and delivered to us by FNZ. There is excellent progress in code validation which will continue throughout the summer. Integration and User Acceptance Testing are progressing well and we have already executed thousands of test scripts to identify possible software defects with these being quickly fixed by FNZ. Our teams are working very well together.

We anticipate, as we said, a soft launch either later this year or early in 2019, and again as previously stated, this will be on a limited basis and is expected to be followed by a controlled migration of a portion of our existing book. And this will determine the pace of the migration for the rest of the book.

We are also taking note of other industry migrations and ensuring that relevant lessons are incorporated into our plans. We are focused on ensuring wholly uninterrupted financial advisor and customer service throughout the transition period.

Right, as you can see, the business is evolving very much in line with our expectations.

I will come back in a few minutes to talk about my focus in Quilter's growth drivers, but, for now, let me hand over to Tim to take us through the numbers in a bit more detail. Tim.

Tim Tookey
CFO: Great, thanks very much, Paul.

So, let's get into the numbers.

I want to review our business from a top down perspective, look at the key trends within each of the segments, share a bit of colour on revenues, margins and cost trends, and give some further information on the balance sheet and capital.

I have provided here a quick snapshot overview of how Quilter works.

Starting top left and working our way forwards, Net Client Cashflow drives Assets under Management and Administration which drives Revenues which come with costs, that leads to profit and, after tax, EPS.

So, how has the business performed?

Well, as you heard from Paul, headline NCCF is down but we think our outturn is pretty solid. Within this, flows into Advice and Wealth Management were up and they remained consistently good in Wealth Solutions.

A solid result for NCCF and also a solid outturn for AuMA growth which was up 2% from year end against a more challenging market backdrop.

So, top right, revenues are up 11% on a fairly stable margin which I will come back to in a minute.

And slowing cost growth, up 10% despite the headwinds of listing and separation activities we have spoken about before. So, positive jaws leading to an operating margin of 29%.

All this generated 16% profit growth to give £110 million of adjusted profit for the half year.

Now, this drove 25% growth in earnings per share to 5.5p, helped by a lower than expected tax charge. Now, I do expect a broadly similar tax rate for the second half of this year with this more likely to be at a normalised rate thereafter.

So, a good set of maiden results, I hope you'll agree, and one which delivers in line with, or slightly ahead of guidance, albeit this is simply a half year checkpoint.

Overall though the benefits of the business model and the investment in previous years are working alongside a disciplined approach to costs to drive profits forward.

Right, let's dig a little deeper, and let's start with Advice and Wealth Management.

As Paul said, at a segmented level, this is the primary engine of future profit growth and that is what you can see here. Profit growth of 47% to £47 million, and you know what, I like those kind numbers.

Now, that's obviously an excellent result, but before you extrapolate that into the future, I also wanted to highlight that the year on year comparison has been slightly boosted by a lower than expected FSCS levy.

As a result of year end alignment between the FCA and PRA, the charge for this year for all industry players is only a nine-month charge. So for us, this came in at £11 million when we were expecting £3 million to £4 million more than that. We will be back at a full 12-month charge next year, so this is a one off benefit.

We are pleased with the modest improvement in revenue margins. Quilter Investors has benefited from continued flows into higher margin products. Now, here good investment performance, which has continued to make these attractive funds for advisors and their clients.

While this has been a clear positive, we think the overall margin within Quilter Investors will trend down due to mixed considerations over the next 12 to 18 months. We therefore expect the normalised level of margin to plateau at a modestly lower level than we are currently at. All of this is absolutely aligned with the overall Quilter level revenue margin guidance we gave at the time of listing which remains unchanged.

Now, the other thing that I did want to call out, which is something we regard as a particular success, is that within the other revenue line in Quilter Financial Planning we include Advice fees. And these are up 17% year on year, much higher than the rate of growth in RFPs. Now, that shows how much the value of advice is recognised by individual customers together with the benefits of increased productivity and asset retention.

The growth in costs in this segment is a function of the investment we continue to make. Now, obviously, Caerus was only there for a month in the first half of last year

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and so we are seeing the full impact from that, but also from the continued expansion of Private Client Advisors, which saw nine business acquisitions in the second half of 2017 and the first half of 2018.

We have also seen the impact of building out our standalone business in Quilter Investors and that process is reasonably advanced. We started the year with a headcount of 45 in that business and we are now up to 79. We expect to reach steady state at around 100 people by 2019.

However, revenue growth of 22% and cost growth of 16% is the sort of dynamic that we do like to see and no, that is not forward looking guidance!

Moving onto Wealth Platforms, where the year on year growth in profits of 12% is a great out-turn, even though we had a slight benefit from timing around costs, with about £4 million of delayed technology spend falling in the second half of this year.

As you can see, costs were well controlled in Wealth Platforms where, if you adjust for the £4 million timing difference, costs were broadly flat with revenues up 3%. Again delivering positive operating leverage to drive the bottom line result.

12% profit growth is a very pleasing out-turn, but as you know, this includes the drag from Quilter Life Assurance which is roughly a quarter of group profits. Quilter Life Assurance profits were flat which in itself is a great result of a run-off business, but it does also mean that the profit growth of the go forward businesses within the segment is around 19% year on year despite the lacklustre performance of Quilter International.

Now, this slide provides the bridge between NCCF generation and market movements to give the closing AuMA. In what was a more challenging backdrop for flows, you can see that benefit of our diversified model which still delivered £3 billion of net flows in the first half.

Also note that market investment performance did not contribute any benefit in this half.

We also highlight revenue margins at the top line of the chart. The biggest driver of change here is mix.

I said at our capital markets showcase in April that I expected revenue margins to slow in the near term and become increasingly stable. Actually we have seen a small improvement in revenue margin by one basis point to 57 bps.

Now, this is primarily due to mix effects. I just mentioned the benefits of fund choices by advisors and customers within Quilter Investors, but we have also seen mix deliver margins stability in Quilter Cheviot.

We would not necessarily expect these mix benefits to be sustained and so at a Quilter level, we continue to expect to see a slowing of the rate of decline in revenue margins which will then become increasingly stable.

Turning now to the cost picture. Now, the chart here walks you through what has changed in terms of our cost base compared to a year ago.

We have the additional cost associated with the LTIP and other variable staff costs to accommodate this year.

Standalone managed separation costs are now fully embedded at the guided level adding around £14 million on a full year basis to our cost base. And obviously we've added to the business – the Caerus position came in late in the first half of last year and we have also had several bolt-on acquisitions within PCA business over the last 12 months.

So, this takes us to £275 million of costs for the half year. And as we think about the remainder of the year, bear in mind what we said about the FSCS levy, the timing of some of the costs within Wealth Platforms and the ongoing build out of cost within Quilter Investors.

Let me talk to the operating margin for a second, and like Paul, my comments are designed to be balanced. At the headline level, we can see that the operating margin was 29% in the first half. Obviously a great out-turn and flat to where we were for the 2017 full year.

When we spoke back in the spring, I said that we expected some attrition in the operating margin from last year's 29% before we built back to the 30% target by 2020. Now, I think the result for this half is broadly consistent with that and I want to explain why.

Well, two things come to mind. First, as I said earlier, like all industry players, we had a bit of a windfall in this half from the FSCS levy coming in at about £3 million to £4 million less than expected when we gave the guidance at showcase. That is equivalent to about 1% on the operating margin.

Secondly, as I also highlight earlier, the Wealth Platform's result is somewhat flattered by the timing on certain costs by about £4 million as well.

So, adjusting for these two items, the 29% seen for this half would on a sort of a like for like basis really have been 27% which is where I had expected it to be.

A few final words on cash and capital.

As you can see the Solvency II position after provision for the special interim dividend is 195% on a proforma basis – a very strong position. The big movements from the

171% we discussed at showcase are, of course, the completion of the sale of Single Strategy and the special interim dividend.

Now, one of the things we were often asked about during the IPO roadshows was about holding company cash and therefore we have provided details here.

Following the sale of the Single Strategy business and the various capital movements that occurred both externally and between ourselves and our former parent in the run up to listing, we are left with a closing cash balance of £587 million.

Now, I'll be the first to acknowledge that this is a lot of cash to have around. But it is before we pay this special interim dividend, obviously, and that will reduce it by just around £220 million.

And, of course, as I said at showcase, we are holding cash on the balance sheet to fund the remainder of the PTP costs, the UK Platform Transformation Programme, as well as having a contingency for any unexpected costs that may come out of the FCA's thematic review, including the ability to pay any potential fine against which, as you know, no provision has been made.

In addition, we are giving ourselves capacity to fund any initial costs associated with our optimisation programme and, of course, we need to have sufficient resources for the kind of severe market stress that underpins a prospectus working capital statement.

So, we know we are in a conservative position. And whilst I accept that, I don't apologise for it. Conservative is what you expect from a newly listed company with a few key areas to conclude and resolve.

And with that let me hand you back to Paul.

Paul Feeney CEO: Thanks, Tim. So, some clear messages there, which highlight that these are a good set of results. The business is very much where we wanted and expected it would be at this stage.

We have always been clear with investors that while we think the Quilter story is a good one, it isn't a finished one. We still have a lot to do.

This slide sets out what we think the key achievements of the first half were, and what are our main priorities for the rest of the year. I am not going to summarise them all, so let me emphasis that a near term agenda is focused on four key priorities.

- First, we need to implement our new platform and execute a successful migration for existing clients.

- Second, I want to ensure that we continue to invest in growth by recruiting and building our base of Restricted Financial Planners and Investment Managers.

- Third, we want to ensure that we optimise our business, so that we deliver faster revenue growth than expense growth, and I look forward to updating you on our plans here with our full year results in March 2019.

- And finally, delivering the right outcomes for our customers is still our guiding principle. Giving good advice, delivering good investment performance and ensuring excellent customer service are things that we will never compromise on.

So, in conclusion, let's recap on what we've done.

- We have delivered good growth in integrated flows and solid net client cashflow.

- We have delivered record profits which grew by 16% and with EPS up 25%.

- We have listed the business.

- We have completed the sale of our Single Strategy business.

- We have repaid £300 million of debt, and

- We have declared a special interim dividend which gives all of the surplus proceeds arising from selling the Single Strategy business back to shareholders.

It has been a busy half year, and a good one. We remain confident of meeting the guidance that we set out in our prospectus to the market.

Now, let's open up for questions. Who's first? Andy.

Andy Sinclair: Thanks, it's Andy Sinclair from Bank of America Merrill Lynch. Three issues from me:

Firstly, on the number of restricted financial planners. That's up to 1,590 at the end of the period. Just wondered if you give us thoughts on H2 growth and growth outlook there, still strong recruitment.

Secondly, just on the institutional pensions outflows. I just wondered if you could let us know how much has gone in H1, what you're expectations are still for the runoff for that.

And thirdly, just on DB to DC transfers. I think you've said previously about a third of pensions gross flows, is it still around that level for H1? Thanks.

Paul Feeney: Okay, thanks Andy. Three questions there. 1,590 restricted financial planners at the half year, up about 2% since the beginning of the year. Decent showing. Not as good as I'd like it to be, quite frankly, and you know, Andy knows we need to get moving on that for the second half. So, I'm not going give you a number but it's, I can tell you that we're very focused on it.

Institutional pensions. If you look at, we were –

Tim Tookey: I know the answer.

Paul Feeney: You know the answer? Go on then.

Tim Tookey: You're meant to know the answers.

Paul Feeney: Well, I know the answer.

Tim Tookey: Go on, you know the answer, go on. Oh well, what do you think it is? What do you think?

(Laughter)

He's right! He's right, £4.4 billion left at the end of the half.

(Laughter)

Paul Feeney: So, if you look at what we had, you know, six months ago, and what we have now, you'll figure that would be a pretty simple sum. DB to DC was about 25% of our platform flows.

Tim Tookey: Gross flows.

Paul Feeney: Gross flows, platform gross flows.

Tim Tookey: Yeah.

Paul Feeney: Yeah? Which is down a little bit on the same time last year which is kind of what we'd expect. And on this note, Andy, as we all know the industry and the regulator, we've got our training wheels on. Okay, this is going to be a generational shift and we need to make sure it happens safely within the right safe, secure framework. So, whether that means paying for TVSs, we're looking – what happens to contingent charging, qualification, we're all trying to put that framework in place. So, I would expect this to ebb and flow a bit over the next year or two. Yeah.

Andy Sinclair: Very good. Thank you.

Paul Feeney: Okay. Please.

Adam Uddin: Thank you very much. Adam Uddin from Goldman Sachs. Just three questions from me please. The first was just on the operating margins so, as you mentioned, it was impacted by a couple of one-offs in the first half, so how might it develop for the full year? And the second was on the UK platform business, so for Quilter Wealth Solutions I think net flows for Q2 standalone appeared perhaps a little bit more below trend than your other divisions and I was wondering if there were any key drivers behind this, and then finally, just on your advisor business do you expect to grow it more by acquisitions or by organic means growing forwards? Thank you.

Paul Feeney: Do you want to take the first one? I'll take the …

Tim Tookey: Yeah, sure.

Paul Feeney: …op margin?

Tim Tookey: So, we've been very transparent, Adam, and I wanted to be transparent with the market this morning on a couple of things that have impacted the margin in the first half because I don't want people getting too carried away. I had actually expected the margin to come in a couple of points lower than it has. Part of the reason is a timing difference, so we clearly need to think about that in your full year. I'd also encourage you to think about some of the comments I made around cost and the context of costs in there. But overall we're very focused on the profitability of the business. We've clearly got good momentum that we're continuing to enjoy in the business. We're very focused on driving that up and I stand by the guidance that we're going to get to 30% pre-optimisation by 2020. The operating margin level, if we can get there sooner that would be great, but I'm not guiding to that because I can't see it yet and that's why I wanted to just call out a couple of points in the half year margin so people understood how I felt about the result.

Paul Feeney: Okay, UK platform. We did £2.1 billion of Net Client Cashflow in the first half of the year which is the same as last year, and last year was an absolute record year for the industry as well as us so, you know, we've seen other competitors come in substantially lower so we're very pleased with that. We did see a softer Q2 than Q1 but again I think we're seeing that across the industry, I don't think that is an issue regarding our business. Our job is to grow our business and to beat the competition and from what I'm seeing so far I think we're doing pretty well there. One of the reasons for the slight slowdown, probably a bit, you know, less DB to DC. You know, we've seen four regulatory papers in as many months on this issue. As I say, you know, the industry has taken a breath to make sure we've got the framework right. In terms of the advisory, yeah, certainly we expect to grow our advisory, our advisor business through organic growth, recruitment, through acquisition and you're seeing we're still making relatively small acquisitions, but in the, particularly in the private client space. And the growth of our financial advisor school and all of those levers are available to us and we expect to be pulling all of them.

Adam Uddin: Thank you very much.

Greg Simpson: Hi, good morning, it's Greg Simpson from Exane. Just three questions.

The first was on you mentioned advisor tenure helping productivity in the period. Could you give any guide as to what the average kind of tenure is at the moment and where you find productivity kind of peaks, so and therefore where you see the £1.8 million productivity at the moment evolving.

Second question was on the investment manager resignations. Could you talk about the reasons for that and any quantum you could give us on the AUM potentially associated with those managers.

And then just finally on the tax rate, 8% is kind of the guidance for the full year. You mentioned a normalisation, what is that normalised tax rate and how quickly do we converge to that? Thank you.

Paul Feeney: Okay. And will you take the – you're definitely the chap for the third one.

Tim Tookey: Shall I start with the –

Paul Feeney: Why don't you take with that, yeah.

Tim Tookey: Yeah, okay. I thought you were going to take that.

(Laughter)

So, the tax, the effective tax rate for this half I think will be replicated for the full year. We're still going through the finalisation of the quite complex sort of unravelling of some of the tax aspects of the separation from the parent and some of the corporate moves and some of the costs associated with that. So, that's given us access to some tax losses slightly earlier perhaps than I had anticipated. I can't see those into the future which is why I think it's safer to guide that I think we will get back to what I will call the normalised rate, back for next year and beyond. If I go back to sort of prospectus speak where we were guiding on the tax rate then you would have, most people in terms of what we said in there to be around sort of 13, 14, 15, low/mid-teens percent for the company as a whole, so that would be the right kind of space for you to be thinking about but, you know, if I do have an update to give on that then it would be at the time of the March results.

Paul Feeney: Okay. In terms of advisor tenure and productivity, Greg, yeah, we're very pleased with the fact that we're seeing advisor productivity pick up to £1.8 million per advisor from £1.6 million. And don't forget this is net. We look at net flow for our advisors not gross flow. Some of our competitors look at gross. If you look at over the last few years it's gone from like 0.6 to 0.9 to 1.6 to 1.8, so it's still increasing but you are probably seeing the tail of the growth slowing a bit and what is the main reason for it? Tenure. It's simply that as advisors have longer time with us they're getting more used to our products, to our services. Not surprisingly those advisors who have been with us three years plus are or most productive advisors, those who have been with us six months and below are our least productive advisors, so as we're bringing more advisors on, you know, you will see it ebb and flow a bit. So, I don't have an actual number for you but, you know, I'm pleased with the trend.

IM resignations. Yes, you know, we've had, as I say, we've had 12 resignations, some more senior IMs, some were junior IMs in that. That's out of a total population of 160 IMs in Quilter Cheviot. You know, we have just had a major event which is a listing of a business. It doesn't happen every month. A few advisors have decided to move on. We're recruiting at the same time. So, you know, I'm not going to go into actual numbers of portfolios and sizes but 168, 12 have left, and you know, we intend to continue to aggressively recruit back, so and again we have, you know, strong customer retention plans in place. You know, we're unlikely to see any issues for 12, 18 months, but we've just, we're being conservative and being, you know, a conservative company we want to let the market know there could be some impact a year or 18 months down the line on the QC side. But by that time we expect QC to have built up its own investment management base again. Okay. Gurjit.

Gurjit Kambo: Hi, good morning, Gurjit Kambo, JP Morgan. Just a couple of questions.

Firstly do you charge any exit fees on your platforms? Obviously that's one of the things the FCA talked about in its a platform market study.

Secondly, just on client cash, how do you deal with that in terms of paying out clients or do you charge anything for clients holding cash?

And then finally just in terms of the Quilter Life Assurance business, the other revenues sort of dipped year on year. Is that just a function of the book running off or is there anything else in there?

Paul Feeney: Okay, Tim, I'm going to let you take the third one.

Tim Tookey: Do you know the third one I didn't hear because I was thinking about the answer to the second one.

(Laughter)

Paul Feeney: Okay. So, Quilter Life Assurance, other revenues, just running off, is that just …?

Tim Tookey: Ah, now we had some particular claims in the protection, some of the protection products and now you'll find a little bit of narrative halfway down the right-hand side of the page. I'll get you the page number. I'll give it to you afterwards.

Paul Feeney: Yeah, okay. So, Gurjit, the first one. Exit fees on our platform. No, we don't charge any exit fees on our platform. Holding client cash on our platform and charges for that. We're very fortunate not to be able to do that.

(Laughter)

So, our new platform will be able to do that but our present platform does not hold cash on the platform, so not an issue for us.

Gurjit Kambo: Okay, thank.

Paul Feeney: Please, the gentleman here.

David McCann: Morning, David McCann from Numis. Just in terms of the change in net flows Q2 and Q1 obviously the slowdown. You partially talked around it in the context, I think, of the wealth solutions business for the DB to DC slowing, but it looks like, you know, across the business, Quilter Investors, Quilter Cheviot, also saw a similar trend and it looks to be both the gross inflows slowing down but also implicitly the gross outflows ticking up. So, maybe if you could provide a bit more colour, you know, by division on what's caused people to put money in, less money, and take a bit more out. Thanks.

Paul Feeney: I think we're just, I think … markets do ebb and flow a bit. I mean, we have seen across the industry, if you look across our industry competitors who've announced, that Q2 has been a bit softer. We've seen, as I say, a couple of things. For us there has been three specific things. One has been DB to DC which has been a bit slower for the reasons I mentioned. Secondly, has been Quilter International where we've seen a much slower start to this half, and that's continued in from Q1 to Q2. And the other one, we've seen a slightly slower Q2 in Quilter Cheviot, so last year in the first half Quilter Cheviot did £600 million net flow, this half year it did £500 million net flow, £300 million in the first quarter, £200 million in the second quarter. Quilter Investors, you know, very strong start to the year, even in Q2, but then a bit lower than the first. So, I think we're just seeing it across the industry at the moment. So, all we can do, as I said before, my job is to grow the business and beat the competition. You know? And markets will ebb and flow. And sentiment will ebb and flow. We don't manage the business specifically on a quarterly basis. Clearly we look at things on a daily, weekly basis, but we manage it over for a long-term sustainable growth business. So, you know, the quarters will ebb and flow. Quarters won't always, the market won't always go up like that in terms of flows and sentiment. You know, we'll compete in the market that we find ourselves.

Tim Tookey: I think if you look at progress over the last year as well, you know, Quilter Investors assets are up 30% on 12 months ago. Quilter Wealth Solutions, the UK platform assets are up 14% on a year ago. Quilter Cheviot are up 7% hitting a record high of assets, so don't cane us for transparency without recognising the strong progress made with everything else going on the business at the time of separation and listing, you know? We're being very transparent and very balanced in our comments, so …

Paul Feeney: Please. Again.

David McCann: Okay, yeah, thank you. You know, the colour there. Just maybe just to follow up on that. I mean, did you see a kind of a weakening over the quarter and also, yeah, I guess have things changed, I guess since period end, have you seen any signs of improvement since the period end in terms of the, you know, a client sentiment flow picture?

Paul Feeney: I mean Q3 starts with July, August, doesn't it, so no, we've seen, you know, we've seen summer months and we've seen, you know, somewhat, you know, quite frankly we've seen what we kind of would expect in July and August, you know, which is a somewhat slower period than we expect in other parts of the year. So, mainly it's July, we've seen that, but, yeah, nothing that we wouldn't really expect. Please, Arnaud.

Arnaud Giblat: Hi, it's Arnaud Giblat from Exane. Two questions please. First on the cashflow conversion. I think it's in the low 80%. Could you help us, give a bit more colour there in terms of providing a bridge as to how you go from 100% earnings to 80-odd% cashflow conversion for this half? And my second question is on the integrated flows, so close to 100% of flows are integrated. What is the fee margin on the new business coming in?

Paul Feeney: Yeah.

Tim Tookey: So, shall I kick off?

Paul Feeney: Yeah.

Tim Tookey: So, on the cash conversion, cash conversion for the first half was 83%, that's consistent with the conversion last year. The biggest delta between the two is the capital, the net capital movement around the difference between businesses running off and the new business that we're writing. So, that's absolutely consistent with what we saw during last year. So, I'm quite comfortable with that. I will be probably talking more about cash conversion on an annual basis. It's not something that I'd necessarily focus on at interim periods. That's why this time I've given more information on the cash at the holding company level which is clearly an important factor of the strength of the balance sheet and shows a key part of the composition of the strength of the solvency ratio as well.

As far as NCCF is concerned, remember that NCCF – integrated NCCF is the aggregate of the flows at each time that we can earn a fee or take a margin on those flows. So, if I have the same pound that flows through the business and touches us more than once, I will add them together into integrated flows. So, it wouldn't be uncommon for integrated flows to be greater than the whole of NCCF share because obviously that's before we eliminate the double counts. You'll see a line called eliminations on that table which is there for a reason, but it does give you an idea of the importance. But don't let you think that flows that aren't integrated where we only actually earn one element of fee aren't important to us as well because they are and they're a significant part of the business as well and make a very valuable contribution to the return that we get. The overall revenue margin obviously is a blend of what we're getting on flows and what we're getting on the stock. I don't have that split, it's not really how I tend to focus on it. There are some areas where I am seeing flows of higher margin products out, classic example of that is the Heritage book, okay, so that's the legacy products, tended to be at higher margin where we are seeing flows out. You may counter me, Arnaud, by saying, "Yes, but the Heritage margin is higher," and I will say, "Yes, that's because of the institutional life book that's been running off which is a very low," single digit basis points revenue margin, and that's information we gave in showcase in November last year. So, bizarrely as that runs off it makes diddly doo impact on income, but in a margin sense you sort of see Heritage go up and you think, "Why?" and that's, so there's a huge play and mix. Very pleased with Quilter Cheviot, flat margin, half on half. That's the first time we've seen mix actually benefit margin stability in there. But for the new flows into Quilter Investors, now there we've seen clients with their advisors select higher revenue income for us funds but also ones that are given superior investment performance. If you look at the chart that Paul had, look at that ten, look at the five-year, you know, investment performers of the multi asset funds, and Cirilium's a large part of that, then that's a very important part of us delivering for customers. We're enjoying a higher revenue margin on that, the customers are enjoying a superior investment return, that's a win/win. The shareholders win, customers win. So, that's where actually revenue flows in the half have actually benefited us on the revenue margin side, and income. Does that give you enough colour?

Arnaud Giblat: Sure, thanks.

Tim Tookey: Thank you. Sorry, that was probably your answer.

Paul Feeney: No, that's okay because what he said. Any more questions? Okay, we have some from the webcast I think.

John-Paul Crutchley: There's two questions from the webcast. Michael Christelis at UBS, is asking about the Heritage costs where he estimates them being down 14% year on year, and asking about the sustainability of that in the long-term for the business. And then secondly a question from Ed Houghton at Bernstein asking about the Quilter Investors one year performance and whether that's impacting on flows into the business.

Paul Feeney: Okay. Heritage costs down 14% year on year. I'll say quickly and then I'll hand over to you, but basically I think, you know, Steve Levine, who runs the UK platform for us and the Heritage business has done a great job of being able to ensure we manage costs between the Heritage business and the UK platform which has enabled us therefore as our UK platform is going like a train, has enabled us to service that business with the support we need, the human support we need, whilst also taking costs out of the Heritage book, but do you want to add anything?

Tim Tookey: Yeah, I'd agree with that. I mean clearly that's something we've done very well in the past. It's something we're very focused on for the future because as the Heritage book, you know, does decline, you know, we need to look very, very carefully at that cost base and we'll redeploy it where we can and try and minimise the impact that we have on the business from it.

Paul Feeney: Yeah, one year performance, yeah. And we're focused on it, we've seen a number of our, a few of our portfolios, particularly in Q1 more than Q2, miss a beat a little bit, a bit overly cautious and … but quite frankly the multi asset business, it doesn't take an awful lot of, it's not like a single strat business where the difference between, you know, Q1 or Q4 can be, you know, 20 percentage points. Here it can be matters of basis points. That can take you above or below a peer group benchmark line. And so we've seen a little bit of softening there, we're completely focused on it. We manage the business for long-term performance, also this is really important about how we run our multi asset solutions business. It's a solutions business. We're trying to hit actual customer outcomes for what customers are looking for from our investment solutions. And we've done all of that. All of our investment solutions, multi asset solutions, are all meeting their customer outcomes. Yes, a little bit softer in, mainly in Q1 in this respect. Completely focused on it and we'll address it. Is that affecting flows? No, that is not affecting flows.

Okay. Great. Well, thank you very much for joining us on our maiden set of results. We're very pleased with them. We hope that you will be. And see you at the full year in March, if not before. We'll be on the road a bit before then, obviously, so we'll see you and your clients before then.

Thanks very much, everybody.