Capital Markets Day

Company Participants

- Andrew Croft, Chief Executive Officer
- Craig Gentle, Chief Financial Officer
- Iain Rayner, Chief Operating Officer
- Ian Gascoigne, Managing Director
- Ian MacKenzie, Chief Operations and Technology Officer
- Peter Edwards, Partnership Director
- Robert Gardner, Director of Investment Management

Other Participants

- Abid Hussain, Analyst
- Andrew Baker, Analyst
- Andrew Crean, Analyst
- Andrew Sinclair, Analyst
- Ashik Musaddi, Analyst
- David McCann, Analyst
- Enrico Bolzoni, Analyst
- Oliver Steel, Analyst
- Steven Haywood, Analyst

Presentation

Andrew Croft {BIO 5711239 <GO>}

Good afternoon, and welcome to the St. James's Place Capital Markets Day. This is the first time we have hosted one of these events virtually and all the presentations have been pre-recorded. But we will host a live Q&A at 5:00 PM.

Now it's a shame that we aren't able to gather together in person for this session. Although we do have a good afternoon planned for you. And from my perspective, it's a great opportunity for us to build on some of what we outlined at our full year results presentation in February providing you with greater insight into some areas of our business and how they will support the key business outcomes we aim to achieve by 2025. You will hear from four of my executive colleagues who will share insights into areas of activity that will be important to our success over that time.

Before we introducing the main session for today, you will have seen that we provided a short trading update this morning. We were pleased to report that the high levels of new business activities we experienced in the first quarter of the year have continued into April and May. Whilst this remains a tricky year-to-call and indeed there remain uncertainties ahead, we are very encouraged by the year-to-date flows and this increases our confidence that 2021 will be another good year for St. James's Place.

So let's move on. I will start by covering our strategy and business model, which will also encompass our purpose and values. As we look ahead, our objective is to support the UK's leading group of financial advisors with the best technology, the best operations and the best proposition to enable them to plan, grow and protect clients' financial futures by making sure our decision making is centered around these long-term aspiration. We have continued to be successful as we have grown, and this will remain our focus in the years ahead to 2025 and beyond. Looking after these fundamentals will also help underpin the explicit goals through our planning cycle to 2025 that we set out alongside our full year results back in February

Hopefully, these will be familiar to you already. But I want to repeat three key headlines: first, that we will deliver 10% per annum growth in new business; second, that by maintaining our record of strong retention of client investments together with modest stock market growth, we aim to achieve funds under management of GBP200 billion; and third, that we will aim to limit growth in our controllable expense base to 5% per annum. We are, therefore, striving achieve continued growth in our business, but we've also made a firm commitment that we can do so efficiently, limiting our growth in our expense base, as we make the most of technological infrastructure, enable better use of automation and process improvement and drive safe and scalable growth in operational capacity. Achieving these aims will drive significant growth in the cash result, and therefore, cash returns to shareholders in line with the dividend guidance we have given. Now with the scale of our business today, these are our ambitious goals, but we are confident in delivering them given the scale of the market opportunity ahead, our market leading position and our proven track record.

So St. James's Place is a business where the foundations of success are built on the strength of long-term relationships. We work hard to deliver for clients and advisers and this is the key to great clients and adviser retention, which then translates to longevity of client relationships and ultimately to inter-generational client relationships. This focus on long-term relationships as helped develop a small life insurance business in 1992 into a GBP135 billion wealth management business today with a market capitalization of over GBP7 billion.

Long-term relationships mean we benefit from both long-term industry and SJP experience across our community. That's across the partnership, the executive and our employees. This gives us deep market knowledge, but we also benefit from a rich blend of new talent and joiners to the organization who bring fresh perspective and the challenge to the business.

You see this long-term approach reflected in much of what you hear today whether about the partnership, our IMA, or how we are investing in technology. And you will also see in our approach to developing our business in Asia, which is all about building a business that does a great job for clients and advisers and provides us with a firm footing in what is undoubtedly a very attractive growth market for a long term wealth management business.

What sets St. James's Place apart is our distinct business model. The original business plan back in 1991 was known internally as Utopia life, and many of the founding principles remain true today. But I want to focus on three of these, which have and continue to provide significant competitive advantage: one, a long-term mindset; two, a strong distribution; and three, a compelling client proposition.

Let's explore these principles in turn. First that the business would have a long-term mindset and built on developing long-term deep relationships, that's long-term relationships with our advisers and in turn with our clients, long-term relationships with our employees and long-term relationships with our key suppliers. Second, we would have a strong distribution achieved through the partnership. Partners are self-employed business owners who exclusively offer our products and services and this was at a time when most life and asset management companies were closing down their distribution channels, and therefore, the partnership was a clear differentiator.

Today, the partnership is a collection of over 2,500 SMEs distributed principally throughout the UK with over the 4,300 highly trained and experienced advisers assisted by 5,000 support staff within those businesses. The partnership is managing trusted face to face relationships with some 830,000 clients. The enduring relationships partners have with these clients support the strong retention of client investments that we consistently experience. This does not happen by chance.

The partnership has been, remains and will continue to be a key competitive advantage. And in a moment you will hear from Peter Edwards, our Partnership Director who will talk about the role of the partnership, how we support it and how we plan to develop and nurture it, in order to support our ambition to deliver that 10% annual growth in new business.

And finally, the third key principle, which was to offer clients a full holistic suite of financial products and services to help meet their financial goals, where the nature of a product or service included options or guarantees or were capital intensive or they were high volume, low margin or indeed very specialist, then we would work with a third party specialist. For example, annuities, EISs or VCTs and indeed mortgages. This continues to be our philosophy today. At the same time, if we did not believe products were suitable for the retail investors, and we would avoid them, for example, split level investment trust, precipice bonds and the like.

But with respect to clients' investable wealth, we believe that it was important to have the right structure in place to manage this wealth by having our own investment funds across unit trust, ISAs, life investment bonds, that's both onshore and offshore, and pensions. Furthermore, we would identify the best fund managers to manage these funds on a sub-advisory basis. But importantly, they were our funds and so we would also be a manufacturer as well as a distributor. The structure established allows our clients to switch between individual funds free of charge, and in most cases, free of capital gains tax.

And let's just think about this at the moment. This is an important benefit in the life cycle of a client. For example, as clients approach retirement, they can reduce the risk of their portfolio by switching between asset categories importantly without cost or potential tax implications. Then as clients start to turn their thoughts to mitigating inheritance tax, this structure enables the use of simple trust structures to optimize inheritance tax planning. In addition, the client has the peace of mind that as the funds are SJP manufactured funds, we set the investment objectives of the fund, we hold the assets of the fund on their behalf, we appoint carefully selected external manager to manage their fund and then we monitor the manager and where necessary change the manager, and where a change is necessary, this happens at no cost of aggravation to the client as the investment management of the fund changes, but the assets of the fund remain with SJP. This compelling proposition also supports the strong retention of client investments. As I said earlier, such market leading retention does not happen by chance. The ingredients need to be in place.

We regard our investment management approach as a key competitive advantage and provides good client outcomes. Rob Gardner, Director of investments, will talk about the unique fundamentals of our approach, how it drives great client outcomes, and therefore, supports that 95% retention of funds under management and how we are developing our proposition to support continued growth in the business.

So SJP is both a manufacturer and distributor of financial products, and therefore, to use regulatory language, we are known as a vertically integrated wealth manager. This means we have a full end-to-end proposition for clients, encompassing the provision of bespoke and long-term financial planning advice through relationships with trusted advisers, appropriate investment mappers with a diversified range of exclusive in-house funds and portfolios and the safe and secure investment platform and administration.

We are not a fund platform, nor an advice network, nor a pure asset manager. We are vertically integrated and our stakeholders are all the better for it. This holistic approach means we take responsibility for all elements of the client proposition and ensures that we never lose sight of our end goal, to provide great client outcomes. This is important as it drives perception of value, but I want to reiterate the great client outcomes are not just about investment performance, but also about providing appropriate and timely advice ranging from utilizing routine tax allowances to IHT planning to protection and to behavioral approaching nudges. It is also about the value of having a personal trusted advisor to help guide you.

Clearly fees are important for clients, but it is a delivery of great client outcomes that matters most for them. So it is, therefore, where we focus our attention as a business. Alongside these competitive advantages arising from the principles of utopia life, our culture and shared values have been hugely positive factors in driving our business over the past 30 years or so. And we all take personal responsibility in preserving and renewing these being the best version of ourselves, investing in long term relationships and doing the right thing are our values. These will continue to guide us as we grow the business to deliver our 2025 goals and beyond. This is how we will create future success for all of our stakeholders.

The founders of SJP also encourage a culture of giving back to those less fortunate and they established a Charitable Foundation. Today the foundation is the sixth largest corporate foundation in the UK and has supported many great charities, which themselves have had a profound impact on countless lives over the years. Supporting the foundation continues to be a key part of our DNA, with many fundraising events around the country and some 80% of our partners and employees contributing every month from their remuneration.

30 years ago, this would have been classed as a best-in-breed responsible business. Quite rightly being a responsible business today is broader than just charitable giving. And over the years, we have broadened our ambition to continue to be regarded as a best-in-breed responsible business. This is personally important to me, the Board, together with the wider SJP community and increasingly our clients.

After all, achieving financial well-being only makes sense if the world is worth living in. So we have been doing more and will continue to do more to have a positive impact to our client investments. We also have a direct influence on the environment and how we operate as a business. So we will continue to drive down our environmental impact, but importantly, we will take our suppliers on the same journey to be a more sustainable future and we will support the partnership in taking the same steps too.

A responsible business is one that looks after its employees, one the champions and pushes hard for inclusion and diversity from the top to the bottom of the organization and one that looks after the well-being and development of its people. And a responsible business is one that also looks after the local communities in which it operates.

Like the majority of businesses we have more to do and are on our journey, but it was a really, really proud moment for the business on achieving the business in the community, Community Mark, one of only 37 companies worldwide who currently enjoy this status.

Some 30 years after the founders laid down the principles of Utopia life, many remain relevant today and continue to provide us with significant competitive advantage. And leap forward 30 years, the 2020s and we see a new and exciting competitive advantage emerging, which we fully intend to embrace technology. We see a future of face-to-face advice empowered by technology and COVID has accelerated this journey. Having already laid the foundations of a modern world-class ecosystem supported by Bluedoor and Salesforce, we are well placed to take advantage.

Technology will also provide opportunity for some significant efficiency savings. So Ian MacKenzie, our Chief Operations and Technology Officer, will talk about this emerging competitive advantage, how we deploy technology today, how we will embrace the opportunity going forward and how we will see technology supporting our face-to-face advice led proposition. At the same time, technology is enabling and underpinning our ability to limit cost growth to 5% per annum and delivering greater operational gearing in our business. Leveraging these competitive advantages of our business model, our plan is to drive continued growth in the business in the years ahead.

As we look forward to the future, we see enormous opportunity in the UK wealth management space for St. James's Place. How we grow our business and increase our funds under management will not fundamentally change. We will continue to increase the scale of the partnership and provide them with the tools to serve, support and advice a growing pool of clients. What's really important to know is to ensure that we never take our eyes off the ball regarding our support strategy, achieving sustained retention of funds under management through delivering high quality service to advisors and clients, driving consistently good long-term investment performance and ensuring we remain a robust and resilient business that clients trust.

Scaling the partnership and providing it with the tools and support to better advisor growing pool of client investments has been the tried and tested method for building St. James's Place into the GBP135 billion business it is today. It is a way in which we will continue to drive the business. We have the opportunity to refine the way we deliver this in the years ahead. So we've been more dynamic in how we approach advisor recruitment and productivity, by investing behind technology to further support the partnership and clients and build our corporate scale in a more cost-efficient manner by developing our investment management approach so that we continue to drive great client outcomes. The beating heart of the strategy will see us continue with those original principles of utopia life paying attention to long-term relationships with our partners and through them with our clients.

The final presentation today will cover our plans in Asia. Iain Rayner, my Board colleague with responsibility for Asia will cover the progress we have made there, how we see the opportunity for our business going forward and our immediate priorities to achieve cash break even by 2025. But ahead of that, a few words from me.

We purchased Henley, a small distributor in Asia in 2014. Adopting those three key utopia life principles, which should prove so successful with SJP, the business plan for Asia was to have a long-term mindset of our own distribution with a focus on building and maintaining long-term relationships and to have a compelling client proposition, to be a manufacturer and distributor. To me this third principle and become a manufacturer required us to obtain the necessary licenses and build manufacturing capability in both Hong Kong and Singapore. This task proved to be more time consuming than we anticipated. But it's proving to be a very worthwhile investment. We are confident that we now have a fast growing and disruptive business in the most attractive wealth management markets in Asia, which will, in time be value enhancing to the Group.

What I find most interesting I think being with SJP since the start of 1993 are the parallels I can see between the progress in Asia with those early days in SJP. The SJP operation established back in 1992 made its first cash profit in 2003, some 12 years after it was established. We have targeted the cash profit in Asia by 2025, 12 years after we purchased Henley and 10 years since we had a fully operationally vertically integrated business with patients on a long-term mindset some 30 years later, the business established by the founders in 1992 is now managing funds under management of some GBP135 billion and has a market capitalization of over GBP7 billion. We believe we have collated together the correct ingredients and established the correct infrastructure in

Asia, in line with those principles that have made SJP so successful over the years. That's why we remain totally committed to and excited about the opportunity to SJP in Asia.

So a reminder of the agenda today. In a moment, you will hear from Peter Edwards, who will talk about the Partnership, followed by Rob Gardner covering our investment proposition, both key competitive advantages. You'll then hear from Ian MacKenzie on our technology plans and how we are currently well placed to embrace the emerging technology competitive advantage. Lastly, you will hear from Iain Rayner, on our plans in Asia.

I hope today's sessions help you better understand some of the detail underpinning our ambitions over the next few years and beyond and illustrate why we remain very confident in the outlook for St. James's Place.

I'll now hand you over to Peter to kick off the first detailed session with a discussion about how we are developing the partnership. I look forward to hosting the live Q&A later, which as a reminder starts at 5:00 PM.

Peter Edwards {BIO 20875780 <GO>}

Good afternoon. I'm Peter Edwards, and I'm the Partnership Director at St. James's Place, responsible for the growth, management and support to our UK partnership. I'm going to talk about why people join and achieve success with us and why we are confident in our ability to continue to grow our new business by 10% annually in conjunction with our partners in the future.

As an advice led business, our partnership is the leading edge. It's the entity through which we deliver the great client outcomes that Andrew talked about in his introduction. A strong partnership delivers clients' outcomes that create value for all our stakeholders. As a result we take great care in investing to support and nurture it and this forms a vital component of our strategy. Before I cover some of that, I want to talk a little more about what the partnership is and why it's so critical to our success.

Firstly, and importantly, it's not a single thing. It's a broad church of over 2,500 independently owned and operated businesses that have diverse needs and motivations comprising over 4,300 financial advisers. Our support to it is necessarily differentiated and provides the flexibility to support growth while recognizing and drawing strength from the diversity it represents. Sociocultural, cognitive, gender and racial diversity help the partnership engage with and support its clients across the country. As an interdependent ecosystem with a common infrastructure what brings it together as one is the sense of community that exists within it as well as the sociocultural link between all of these businesses and St. James's Place.

Indeed, we have 21 regional offices around the major population centers in the UK. And the partnership is represented in almost every city, town and village in the UK as well as in Asia, which Iain Rayner will talk about later. It is an ecosystem which has changed considerably in recent years. Our partner businesses have increased in size and complexity, as well as in number. And now employee almost 6,000 partner support specialists of their own.

As the biggest single group of financial advice professionals in the country, the partnership supports over 800,000 clients, a number that has doubled in the last eight years. I'll come on to how we manage and support the partnership. Before that, I'd like to reaffirm why people join us.

People will want different things when joining the partnership. We pride ourselves in providing the things that would otherwise distract great advisors from being face to face with our clients, the activity financial advisors enjoy the most.We spent nearly 30 years getting this right and the key strength is the attractiveness of our proposition that helps partners support their clients with the backing of a FTSE 100 company. We offer people that do join us a range of suitable and relevance opportunities as partners start building their own businesses or financial advisors with an existing St. James's Place businesses.

It's because of this flexibility to choose, the journey they take that I believe we are the best place to build a great financial advice business all career. Importantly every member of the partnership was identified, recruited and selected by us and therefore chose to join, unlike elsewhere where they may have been acquired.

The commercial relationship between St. James's Place and the partnership is stronger than ever. This appropriately recognizes the balance between remunerating new business and the provision of ongoing advice. And our reward proposition to the Partnership incorporates several measures designed to enhance the quality of service to clients. To complement this, a unique appeal to the partners has always been the means through which having grown a successful business with those over time, they come at some point transfer the whole or part of their business to another partner with the terms and financial arrangements facilitated by St. James's Place. This process which ensures continuity of the advice and service for clients is a real competitive advantage.

Our corporate support for the partnership is stronger than ever. We deliver diverse range of services that aim to maximize partners available time, so that they can focus on what they do best supporting and advising their clients for marketing, investment consultancy, technology, clients administration, HR and finance support to regulatory compliance, business checking and our in-house technical connection team. We aim to deliver support that achieved two simple things to keep partners safe and to facilitate their business growth whilst delivering outstanding value and great outcomes for our clients.

Providing support where and when it is required or appropriate, our field management team is a critical differentiator between St. James's Place and our competitors. We've always been committed to working in conjunction with partners rather than managing them and our continued investments in regionally based teams whose total focus is to develop and supervise partners and advisors is a key USP. Investing in this team of managers, trainers, coaches and business consultants complemented by risk managers, operations teams and administration staff helps us differentiate our support to partners, based on their needs and motivations ensuring we remain in touch with the partnership at a local level and allows us to be agile to changing circumstances.

We recruit and develop great people, that our passion is about delivering on behalf of our clients. Their passion is supported by the strength of our product range and our investment proposition that you will hear about later from Rob. The strength and maturity of our academy training program, has been developed and refined over a decade. The academy has delivered over 680 new partners and advisers to the partnership since its inception in 2012. Highlighting the scale of this homegrown program and supporting our growth as a business, the coronavirus pandemic has allowed us to refresh the academy. And it now delivers enhanced training and development to a broader cross section of the partnership.

Unconstrained by geography or intake size, this evolution has shown our ability to adapt to a changing environment and will result in the academy generating circa 400 new members of the partnership every year from 2022. This notably represents more than two-thirds of our gross recruitment, highlighting the growing importance of the academy for the future. We help people find success in line with our ambition, skills and preferences as you will now hear.

(Video Presentation)

As Andrew said in his introduction, St. James's Place invests in long term relationships with the partnership, and they do so with their clients. This is critical to our ongoing success and these relationships in great many cases are life long partnerships, generating considerable social capital, that ensures our adviser retention remains so strong. Indeed experience shows us shows us that retention is stronger still when our advisers have been with us more than three years. The average age of the partnership is 46. This, against the market equivalence of 58, gives us confidence of maintaining a 10 to 15 year age advantage over our competitors. And coupled with high retention and the strength of our academy, which has an average age on entry of 34 ensures our sustainable pipeline for growth.

All of this gives us firm foundations to build on through our ambitions to 2025 and beyond. We have achieved, managed growth through a variety of tried and tested entry route the partnership, since our inception. I'm confident in our ability to grow the scale of the partnership on a managed trajectory whilst ensuring we are able to devote time and resources to evolving and improving support to those who have already joined. To achieve our planned growth, we need to appoint over 500 people per year from an advice marketplace that is at best not growing materially. However, the extension and growth of our academy makes this program an increasingly important strategical lever in assuring the provision of new partners and advisers over the medium term.

It is natural that academy advisers take a little longer than experienced recruits to develop their businesses. But data suggests that after five years or so, they are on a similar trajectory. And of course, they have time on their slide, as they have the benefit of generally being considerably younger. Growing numbers in the partnership is an investment in the future. Sustainability of our business growth and our focus remains to train and develop people to the points at which they are delivering strong client service as safely as possible. Of course, having selected and recruited people to join us, it is fundamental, we manage them to success. And retain them as part of St. James's Place.

Recruitments and retention of quality partners and advisers, therefore, underpins our growth forecasts, and our core objectives of the management team. To enable the continued growth of the partnership, we continue to evolve our field management team support model. Deployed appropriately, differentiated and consistent support to the partners and advisers based on their specific needs will not only continue to grow the size of the partnership, but will aid further the new business growth by helping advisers to become more productive.

I've already described how our differentiated support is grounded in the needs of and the motivations of our partner businesses. And it helps partners and advisers grow and succeed at every stage of that evolution. I can characterize these into three broad categories, business development, helping partners attract and retain clients, business optimization, creating a more efficient business and business change becoming a different type of business or preparing for exit. By configuring our field management team to become experts in supporting partners differently across our proposition and deploying targeted corporate support across a range of specialisms, we can make better use of our resources and help to drive best outcomes.

Helping partners deliver client service excellence, ultimately deliver strong long-term productivity. High-quality service that delivers value leads to referrals by clients and around 40% of our new business is generated this way. Our productivity strategy is, therefore, geared around providing partners and advisers with the knowledge, tools, trade craft and corporate support to excel in delivering client service. I've already talked about how we are tailoring our proposition to reflect on the diversity of need and motivations across the partnership.

Incorporating focused consultancy aimed at our most successful businesses, we also deploy enhanced growth and development support to newer businesses, they particularly targeted delivered through a smaller manager to adviser ratio and employs coaching and how to trade craft to help people become busier and to demonstrate expertise when working with new clients. Let me introduce an example of this.

(Video Presentation)

We see the developments of expert managers as being a critical part of the development of expert partners and advisors and we will continue to prioritize these to strengthen our management depth. Beyond developing the support we are able to deliver to the partnership, it should not be forgotten this is a group of self-employed small business owners, the partnership has both the desire and natural tendency to want to build great businesses. We, therefore, do not need to micro-manage partners. We achieve growth by harnessing the bottom-up energy and drive they generate, while delivering the best top-down support we can.

Of course, the last year has caused us to adapt to a changing environment and to change the way we do things. I'm pleased to be able to say that this has been extremely smooth and our adaptation has exceeded my initial expectations. The partnership has been incredibly agile and complemented by the many hundreds of working years experience across our field management team that has managed to pivot from a client's engagement model that was almost exclusively a physical face-to-face one to one that has retained the personal aspect of our relationship-based model, but exploited technology and reach to stay in touch and keep businesses flowing throughout the pandemic. All this has been helped through our total focus on supporting partners' ability to engage with our clients. And to be honest, it shifted our perception of what is possible in the future.

Having deployed capabilities swiftly to provide the partnership with flexibility, the way it can deliver great client outcomes is wider than ever and I am very confident about what the future holds. Provision of systems and technology to make it easier for partners to do business with St. James's Place will be covered in detail by Ian MacKenzie later. But technology deployed during the pandemic has significantly and further enhanced partners' ability to interact with clients remotely more responsibly and to process their business more accurately and quickly than before.

Greater investments in systems and data analysis is also helping us determine where and for what reason the intervention of our management team can generate improved client service. This is fundamental and continuing to support a growing partnership whilst helping us prioritize our activity. Crucially, we continue to use secured partner business loans as a means of providing business development funding to the partnership, while also ensuring the business transfer between partners is carefully managed to ensure that client relationships with St. James's Place are maintained and that their advice needs continue to be met. This process delivers great outcomes to clients, our partners and St. James's Place.

As part of this, agreement to deliver service to clients through a combination of partners is increasingly being used where appropriate. As a way of assuring excellence, continuity of service, 2020 was a year in isolation. We are not planning for the future based on what we experienced then. However, our growth strategy has been positively influenced by that experience. And as increasing freedoms return to the way we work, we will be able to deliver 10% new business growth targets introduced by Andrew earlier. This will be achieved through a combination of recruitment of new partners and advisers, both experienced professionals and second careerists.

Accelerated productivity from new joiners to the partnership, better and more targeted partner support through our field management team and corporate functions, utilization of technology for clients' engagement, client service excellence, and the sharing of skills to meet specific client needs, I am responsible for these core outputs and in outlook have high confidence in all of them.

The partnership strategy will deliver a supported and growing partnership, that is better equipped to support clients outcomes. A partnership that is comprised of stronger businesses able to thrive in the future and provide homes for our new advisers.

Partnership growth each year, coupled with the management of retirees on a planned trajectory, we will create a diverse optimized partnership generating productivity growth over the long term. These outputs will positively contribute to the success of St. James's Place in the future.

While maintaining a healthy flow of new business, we will retain and continue to strengthen the partnership, which is vital for our business. Through the opportunities provided by our investments in systems and other tools, we will maintain an efficient business and support a growing partnership. We make St. James's Place easier for partners and their clients to do business with, whilst also keeping their own businesses safe. And we'll continue to strengthen the community feel and belonging of which the spirit of partnership is built and on which our growth depends.

Let me introduce to you, Rob Gardner, our Director of Investments. Rob will explain how our investment proposition supports great outcomes for partners and clients.

Robert Gardner {BIO 15404543 <GO>}

Thanks, Pete. I'm Rob Gardner, I'm the Director of Investments of SJP. It's my responsibility to run our investment proposition, that's our core investment management approach, our discretionary fund management services and stockbroking. Our goal is really simple. We invest money to help deliver long-term financial security to our clients, and we do that by planning, growing and protecting their wealth over time.

I'm going to explain what makes our investment proposition unique, how we contribute to a retention rate of over 95% and why I'm confident that we can grow to GBP200 billion and beyond by 2025.

I'll start by lifting the lid and what you can see at the surface. The funds and services that make us such a unique proposition for our advisers and clients. Later we will go behind the scenes to look at what the client doesn't see, how we create smooth returns for them and why we believe our size and scale gives us a competitive advantage.

Let's start with the bigger picture. This is our investment management approach, which I'll now refer to as our IMA. It's a GBP135 billion today and growing. Discretionary fund management or DFM for short. DFM enables us to create and manage personalized portfolios, perhaps with stock and sector exclusions that meet very specific client mandates. And finally, our stockbroking services enable clients to buy, sell or hold investments by dedicated stockbroker.

At the base of the triangle, we have our solutions offerings, which makes up over 85% of our gross inflows. Partners and clients invest in the model portfolios and underlying SJP funds. These funds, as Andrew mentioned, are unique to SJP. The underlying assets are held in custody with State Street and we appoint our fund managers with segregated investment agreements designed specifically for us, which means we have complete control and transparency of the underlying funds and can evolve their mandate over time.

These funds can then be blended together into bespoke portfolios by the adviser to meet specific investment goals and views of their clients.

At the top of our investment proposition triangle, we offer DFM and Stockbroking via Rowan Dartington, which I now chair. Last year DFM represented just under 5% of our gross inflows. DFM is an important capability for advisers to meet the needs of current and prospective clients. We can use this to attract investment managers and smaller DFMs to our proposition in the future. And as Iain Rayner will explain later, DFM is a key component in our Asia investment proposition.

This year, my focus is to integrate our IMA, DFM and stockbroking in a single end-to-end investment proposition, giving partners something distinctive to offer their clients, which again, as Andrew side, is one of the founding principles of SJP. We currently have GBP135 billion invested around the world. We have over GBP70 billion invested in global equities excluding the UK and around GBP20 billion invested in UK stocks. We have over 13,000 different securities from equities to bonds and properties. And over 1,500 derivative positions, and all of that is deliberately designed to give our 4,000 plus advisers a unique investment proposition.

The IMA enables advisers to plan, design and review the financial goals for that 830,000 clients with around 5 million different combinations, it means that no matter how diverse or specialists the needs of the client something bespoke can be created. We have a senior and well resource team running the IMA because we believe having the right people and the right processes will result in all round better outcomes for our clients.

The ingredients that make up the IMA on nine portfolios are three in retirement funds and underneath that, we have 39 SJP building blocks and funds and beneath that we have nearly 70 different strategies from equities to bonds to property and private equity, invested all over the world. Remember, this offering is unique to SJP and gives our partners and clients total confidence that we can meet their needs in the long term.

So that's what you see on this surface. But how does it work? Our clients are in it for the long run and the average SJP client has been with us for well over a decade. The life expectancy is increasing, which explains why we're so focused on meeting their needs in retirement and taking a holistic approach to the way we advice them.

Now let's talk about performance. Our average client has seen their wealth grow by over 80% net of all fees in the last 10 years and nearly 40% in the last five years. In fact, our managed portfolio, which is our most popular portfolio has seen our clients double their money over the past decade. That's over a 7% return, net of all fees, outperforming money in the bank by 6.5% and crucially inflation by 5.3%. And we've done this with 70% of the volatility of the FTSE 100. We've delivered more return with less risk than they've had invested in UK equities.

However, even with the smooth level of performance, we can't predict the future. You'll never hear me or our CIO Tom Beal make predictions about what will hit the headlines next week, what will happen to the S&P 500 next month or what will happen to the FTSE

100 next quarter. But what we do know is in a world where interest rates have fallen over the last 40 years, and the risk that inflation will continue to rise in the future, doing nothing we'll not achieve long-term financial well being for our clients. Our partners advise clients to take risk and invest to grow their wealth.

And what I want to ensure is that we invest for our clients in a safe and controlled way. Our approach allows clients to remain invested for the long term, giving them peace of mind in achieving their financial goals. So in this uncertain world, what we can do is ensure every aspect of what we do is in the best possible condition to deliver and there are four key ingredients that make up the perfect recipe for long-term results. These ingredients are fundamental to what we do by how we build portfolios and how we select, monitor and change our funds. But doing this at scale, whilst maintaining the flexibility of our investment proposition is complicated. So let me break it down.

In order to manage GBP135 billion of assets, our first and most important ingredient is to have a well resourced team of senior individuals with the depth and breadth of experience to oversee what's going on across all our SJP funds and portfolios. We've got in-house specialist investment capability from a team of 39 people with over 300 years experience, including actuaries and CFAs. And our data technology and insights team have over 20 people with over 200 years of experience. Our senior team all have previous investing experience and they've been selected carefully to ensure we've got specialist input from every angle from equities to bonds to alternatives and private equity. We have five heads of each asset class and five portfolio strategies all supported by a team of analysts and researchers. Having this team is key to our disciplined research and decision making.

When it comes to investment research, there is no silver bullet. Our goal is to build a DNA profile of our fund managers and ask what are the conditions for success. And from this, we can design, develop and deliver the portfolios that meet the evolving needs of our advisers and clients. This gives peace of mind for both parties and ensures that our portfolios and funds are being monitored and reviewed continuously.

Second, world-class data and technology underpins everything we do empowering decision makers with extensive insights, so that they can make good decisions. By combining our team with excellent data and technology, we can get the best possible results. We have 35 external data providers, for example, FTSE and MSCI combined with direct feeds from our fund managers and well over a 100 data feeds from internal and external sources. This feeds into a bespoke investment data hub that we've built on AWS and Snowflake supported by Ian MacKenzie's technology team. We then plug in state-of-the-art analytics systems like BlackRock Aladdin, Bloomberg, FactSet and FA Analytics, which feeds the investment team the insights they need to design a new portfolio or select, monitor and change our fund managers. We continue to invest in industry-leading technology, because we believe it keeps us ahead of the game.

The third ingredient in the process is how we make decisions. The science of governance is a vital component in our day-to-day decision-making. We understand that we can't make the correct call every time. But what we do know is, if you get the right group of people in a room with the right technology, then you're putting together the ingredients to make better and better choices.

We have an investment committee made up of our senior internal team and five independent non-execs who between them have over a 150 years of investing experience. On top of that we have a panel of six external investment consultants, who we can reach out to. They provide specific expertise on asset allocation, portfolio construction and fund manager research. They challenge and support our ideas and improve our decision making, but crucially what guides us. What's the recipe that keeps us on track when we're investing for decades, not days.

We have our investment beliefs, which guide us in everything we do starting with: one, great client outcomes; two, asset allocation; three, diversification; four, active management; five, understand the risks; six, disciplined research; and seven, responsible investing. Those are the four key ingredients. So let me bring them to life through a case study.

I want to introduce you to two of our clients. Mr. & Mrs. Taylor, who are both in their mid-60s and recently retired. Mr. Taylor used to be an engineer and Mrs. Taylor used to be solicitor. They now enjoy time being grandparents. The problem they face is that they are no longer earning money, they're just spending their retirement savings. They have a life expectancy of at least another 20 years, and according to actuaries, a 50% chance of one of them living to 90, and a 25% chance of one of them living to a 100. Unfortunately the Taylors, like all of us, don't know what inflation is going to be for the next two, three decades and none of us know what's going to happen to investment market performance.

But we do know that the Taylors can't put their money in the bank because with interest rates where they are, that just won't work. And as they withdraw their money and try to make it last for the long term, this introduces a new risk, it's called part dependency or sequence risks. Their need for a solution to this problem is exactly why we built three in-retirement funds called prudent, balance and growth, designed to deliver a secure income to our clients in retirement. So the Taylors' adviser Susie, who graduated from the SJP Academy a few years ago uses her relationship and deep understanding of the Taylors, as well as financial planning tools to translate their financial goals into valuable advice and a tailored investment strategy. She advises them to invest in the in-retirement growth fund allowing them to take out 4% of their money a year inflation adjusted for the rest of their lives. And it ensures that they've got capital left over to pass on to their family. It's a great example of inter-generational financial planning. This is why we're so well positioned to come up with solutions like this for the Taylors, and similar clients.

So keeping the case study of Mr. & Mrs. Taylor in mind, how do our beliefs work in practice? Let's start with investment belief one, achieving the right outcomes for our clients. It's the starting point in everything we do and it's absolutely paramount, but that also means we need to stay flexible and ready to adapt. So if for any reason the outcomes of our clients change, their partner Susie can adapt quickly to reflect that. We are aware of the challenges that people like the Taylors are facing.

The problem, as defined by William Sharpe is the nastiest, hardest problem in finance, striking the balance of having enough income to meet their current needs and having enough to last the rest of their retirement. Regular advice Susie and investing in the growth in retirement fund is a key part of the solution. In fact, as the number of people retiring daily is increasing rapidly, we see this as one of the biggest opportunities we face in the UK and around the world. And as we help our clients have a secure income for their retirement, we increased the retention rate for Susie and SJP for the next few decades.

The second key investment belief is that the main driver of investment return is asset allocation. With our 39 SJP funds, we're able to blend asset classes to meet the risk and return profile of different clients. And as I said earlier, that results in 5 million different investment solutions. So whilst the situation the Taylors are in is not unusual, we can provide them with something bespoke that fits their risk appetite and cash flow needs. And if they want something truly tailored, they can do that with DFM.

The third value is diversification, diversification between asset classes, as well as by managers and geography. Despite the fact we can't predict what the future holds, this principle ensures we don't have all our eggs in one basket. Diversification defends against the unpredictable and leads to improve client outcomes. And it means, we're in a better position to protect clients like the Taylors.

Fourth, active management of asset exposure and stock selection can add value. And we'll use it appropriately where we think the active management can improve that process. We believe in active management being proactive about how we select, monitor and change means that at any given time, we can ensure we continually have access to some of the best fund managers around the world. The performance of our three new global funds growth, quality and value have shown strong performance in the last six months, proving that a proactive approach gets results. And underwriting our commitment to our UK Equity Fund Manager through our deep understanding of their DNA has meant we have captured significant relative outperformance in the recent rotation to value stocks.

Fifth, understanding the risks. So, again, using our data and technology, we're able to analyze and carefully manage risk, because we know that's the best way to be inflation as well as part dependency for the Taylors over the long term. We are continually monitoring our asset allocation decisions and fund manager choices against these risks, which means finding a way to get more return for less risk and smoothing their performance over time.

Six disciplined research and decision making. We have a well resourced team with world-class data, technology and insights, put together by a process of continuous improvement. Our investment committee meets every two weeks and cycles through strategic asset allocation, equities, bonds, alternatives and property. And we challenge ourselves by bringing in independent and external expertise to review every challenge. This process is supported by pre-mortems and decision logs to track and monitor our choices over time. Again, we won't get every decision right, but by using this disciplined approach, we'll make more and more of the right calls which will improve our performance over the decades to come.

Finally, responsible investing is a strong source of financial performance. We know that integrating environmental, social and governance factors, ESG, into our decisions will help us to first manage risk and be a major source of opportunity. In fact, moving from the linear economy of take, make, waste to the circular economy of make, reuse and recycle, it's a $4.5 trillion opportunity according to research by Accenture.

Let me bring that to life. We've invested over GBP117 million with Nike and they're embracing that circle economy. You can buy new Nike trainers made from old ones, they now cost more than before because they're cool to wear, weighs less and have strong consumer commitment, and therefore, brand momentum, which means Nike's revenues are up, their profits is strong and their investment performance over the last five to 10 years has been great.

And as a business, we are committed to stewardship and engagement. Two years ago, we committed to have a 100% of our fund managers signed up to the UNPRI which they now all are, and 63% of those are rated A plus, which is the very best you can be. Just last year, we signed up to the Net Zero Asset Owners Alliance and only a few weeks ago, we produced our Task Force on Climate related Financial Disclosures report TCFD and we also produced our Stewardship and Engagement Report. We are one of a handful of FTSE 100 companies that have done this.

We've reduced our carbon footprint as a business by 50% over the last three years and we'll continue to find ways to operate better as a business because we know if we get this right, our clients like the Taylors benefits as well as the Planet. This is how our investment beliefs help deliver financial well-being in a world worth living in. We've got behind the scenes of our investment management proposition to understand the in-retirement funds that the Taylors were advised to investing. I hope that this makes you feel as confident as I am that SJP is ready for the future, whatever it holds.

But where are we now? We're continuing to monitor, adjust and improve our investment proposition, so that we can maximize performance for the Taylors, and our other 830,000 clients. Our size and scale means we are able to act quickly on market trends, be it ESG, AI and Big Data.

We'll carry on making changes and addressing some of the short-term performance challenges, which we identified in last year's Value Assessment Statements. For example, will be making changes to our UK managers and creating a single UK building block giving us better control over the style of managers that we have. We'll also emerge our various alternative funds into a single Absolute Return Fund, which is a simpler way to have diversification that gains equities and bonds. Later this year, we'll be relaunching our largest equity fund, which is over GBP14 billion and we will align it with the 1.5 degree C world.

We will have reduced our fees on the external fund managers and it will also have significant capacity enabling that fund to grow to over GBP50 billion. It will have half the carbon footprint and half the carbon intensity of the MSCI World Equity benchmark. And we'll do all of this with a 1% tracking error. As you can tell, I'm really excited about this because we're using the latest data combined with climate science and advanced machine learning techniques to invest and engage with the company's on ESG issues.

So over the last decade, we've helped many of our clients double their wealth, beating cash and inflation and we've done it with less risk than equities. We have the recipe and the ingredients to repeat that performance. Our IMA plus DFM plus Stockbroking gives our advisers that ability to offer tailored and bespoke solutions for their clients. On DFM, specifically, we'll continue to report our results separately, and it will be profitable by 2024. On top of this, we are open to considering the right consolidation opportunities in the DFM markets. We'll continue to ensure our advisers and clients have access to our unique investment proposition and our core IMA gives a size and scale to keep growing, not just to GBP200 billion, but to keep doubling again and again.

Let's put that altogether, our size and scale puts us in a unique position. We have a senior, well resource team with great data, technology and insights. Our investment governance and investment beliefs gives us the discipline we need to deliver strong performance in the future helping clients like the Taylors achieve long-term financial security. In a world of lower interest rates and one where many of us will live to 100, in a world where the big risk on the horizon is inflation, the biggest risk of all is not investing. We are ensuring that we are in the best place to make better decisions. And once we can't get every decision right, I believe that in an uncertain world, we can continue to grow our clients wealth decade after decade after decade.

Thank you. Let me hand over to Ian MacKenzie to talk about how we are investing in technology.

Ian MacKenzie {BIO 18366729 <GO>}

Good afternoon, everyone. And I hope that short video gave you a glimpse into our digital future at St. James's Place. To unpack that, I want to talk today about technology, what it means for St. James's Place, what we are doing today and how it will drive and support the SJP of 2025 and beyond?

The pandemic has highlighted the importance of effective technology across all sorts of businesses and we are no exception. From a technology perspective, we'd argue that we've shown strong operational agility, our technology has been effective, resilient and scalable allowing a smooth transition of over 12,000 people from office space to remote working. This is testimony to our journey over the last five or so years, and specifically, to our significant investments in Bluedoor, which has laid the foundation for our technology strategy and also a move towards becoming a cloud-first organization.

Our partners and clients, just like all of us here today, are a lot more tech savvy than they were a year ago, everyone is more comfortable using technology and expectations continue to soar. We've risen to the challenge of operating in a difficult environment by introducing digital and remote tools for our partners and clients, reducing paper and enabling new ways of working and collaborating. St. James's Place is and always has been, a business providing a common infrastructure to bring together clients, advisers, fund managers and other experts creating and sharing value and experiences exactly as both Andrew and Peter touched on earlier combining and integrating the St. James's Place ecosystem with world-class technology will create a strong proposition for all stakeholders and will underpin our GBP200 billion growth plan both in terms of sustainable growth in inflows but also significantly in terms of sustainable expense management whilst meeting the current and future needs of clients and advisers in this age of experience.

We think of this as building our next generation client experience, or NGCX for both today's and future clients of St. James's Place. It's about next generation experience, next generation technology and also about next generation clients. This is an ambitious program of work to reimagine our digital client experience from today's online wealth account to what we believe will be a truly world-class digital relationship between clients and partner powered by St. James's Place. This will complement and strengthen the outstanding personal face-to-face led relationships our partners already enjoy with their clients.

The program will enable great outcomes for clients in this experience age, hyper-personalized service anytime, anywhere interactions and an experience clients demand, show me, you know me. It will enable greater outcomes for advisers, efficiency, scalability, and of course, those great personalized outcomes for their clients driven by data and insights. And through all of this, it will deliver great outcomes for our business, sustainable growth of inflows, high retention through great experiences for clients and partners, operational leverage through efficiencies and scalability, whilst keeping the business resilient.

With the quality of the St. James's Place partnership and our commitment to an investment in world-class technology, we are strongly placed to deliver on leading digital experience between clients and partner powered by St. James's Place. This graph is from some Gartner research, showing the percentage of wealth clients choosing different interaction channels based on assets under management, most mass affluent and high net worth clients use people and technology, a hybrid approach.

Recent research from Salesforce supports this hybrid approach with 31% preferring human interaction when making significant financial decisions. Over recent years, we have invested significantly in two key world-class systems to underpin St. James's Place in 2020s. Bluedoor, our system of record and Salesforce, our system of engagement, both are bedding in nicely. We've seen the resilience and scalability in recent times, and they will be our springboard to sustained scalability over the years to come as well as the bedrock for powering our digital strategy.

We invest in long term relationships and this is just as true with technology partners as it is with our advisers and clients. We have long-term strategic partnerships with SS&C, Insulet and AWS, enabling our technology journey alongside some more recent partnerships, such as Salesforce and AutomationAnywhere. As the UK's largest advice-led wealth manager with ambitious plans for the future, we have competitive advantage and been able to invest with these leading providers. Through these relationships, our strategy is to deploy world-class technologies leveraging continuous innovation by tech firms to support our partners and clients and deliver our next generation client experience.

Bluedoor, our system of record from SS&C has enabled us to scale our business even through the pandemic. The recent tax year-end demonstrates this. We saw record new business in March, all handled by Bluedoor with the majority of cases not touching the sites. This is the benefit of automation and straight through processing. We will continue to work with SS&C to continuously improve and automate mode of our business processing, delivering sustainable scalability for the future.

And whilst mentioning Bluedoor, an absolute game-changer for our technology journey and now part of the fabric of St. James's Place, we shouldn't understate just what we achieved in recent years with a very successful implementation and migration journey. Hundreds of thousands of clients, billions of funds under management, all successfully transform to the new system, quite a rare event in UK Financial Services. What's even rarer, it's been able to then actually decommission legacy back office systems, something we achieved during 2020. And I'm particularly proud that our Bluedoor program was awarded Best Implementation and Fund Europe's FundTech 2020 Awards.

Salesforce, our system of engagement, is all about long term relationships, hyper personalized service delivery and efficiency in partner businesses as well as in supervision of the partnership. Already, we are seeing significant efficiency benefits. Here is a short video from some of our partner practices to highlight this.

(Video Presentation)

Bluedoor and Salesforce are a combined ecosystem, not only providing the backdrop for powering our digital strategy, but also the key enablers allowing us to re-imagine the way we build out our operating capacity as we look ahead. Delivering efficiency, delivering operational leverage are underpinning our 5% per annum expense guidance. And as you would expect, we are well on the way with leveraging this ecosystem, in particular, partnering with Fintechs, allowing our partners today to choose to access a range of tools for their businesses, DocuSign, Qwil Messenger, think WhatsApp by compliant, OPAL from Ortec Finance to support identifying and tracking against client goals, Digital Wealth Solutions, which provides advisers with a digital front office, DocPortal, providing a document management portal for advisers and clients and Digital Clipboard support digital client onboarding, including fact finding and compliance.

Just like all of our clients today, Mr. & Mrs. Taylor, who Rob introduced to us earlier, concurrently access their St. James's Place online wealth account. Our digital client portal available on mobile, tablet, or desktop, providing personalized up to date valuations, asset allocation information, personalized actual performance information over time periods of the Taylors choice electronic rather than paper correspondence, secure messaging, and their St. James's Place Partner has set them up to enable online debit card payments for the investments at any time of the day or night, including that last minute ISA investment before the end of the tax year. All this live and used day in, day out by Mr. & Mrs. Taylor and all our clients and partners today.

Deloitte's 10 disruptive trends in wealth management report notes that many advisers still face significant barriers to providing holistic financial advice to their clients, including access to the right tools and software. I would argue not if you are a St. James's Place Partner and our continued investment in this area will deliver increased productivity, stronger client relationships and a more efficient St. James's Place.

Our strategy is also about simplifying our technology estate, reducing costs and increasing resilience. For example, our investment in Bluedoor and Salesforce has already enabled us to decommission our back-office mainframe, which was perhaps part of the largest decommissioning we have seen in UK financial services and it will enable us to decommission a further 26 smaller systems. Tangible outcomes which support our 5% per annum expense guidance.

Our technology architecture is moving to a simpler and more structured design than we had before, this approach makes our technology simpler and cheaper to maintain, reduces operational risk and is much more scalable. Our investment in automation will deliver over 100 processes automated by the end of this year, an equivalent saving of 25 FTE with more consistency, less operational risk and greater scalability. Examples include processes within investment operations, technology and business checking. This is on top of the 70 or so bots we already have working which have freed up 21 FTE opportunities already.

This operational excellence journey, combined with simplification and automation, is the fundamental principle which will enables us to deliver on our 5% per annum expense guidance with the investment fully allowed for within that guidance. Alongside this, our focus on cyber will continue as we manage and mitigate the associated fast changing and evolving risks through technology solutions, awareness and training, support from external experts, including a specific role on the Board's Technology Advisory Group.

So almost a state of the nation as to where we are today and hopefully I've shone a light on what we are actually doing today, I suspect a far more technology-enabled St. James's Place than you might have perceived. But what about our future technology journey as we move from the information and digital age into the experience age? The key word here is data. The harnessing of our ecosystem with data, will enable us to transcend from digital to experience, our Next Generation Client Experience.

Let me bring to life how we're using data and the future value we see in it. We start from a strong place, we have years and years of data around every transaction placed, every piece of advice given, every investment made and every investment encashed, one of the strong advantages of being a long-term integrated advice business. Rob talked earlier about some of the examples of using this data in the investment world. Our key focus over the coming months and years is leveraging this data to support and drive outcomes for clients, advisers and shareholders. Data will enable timely and effective interactions between partners and clients, powered by artificial intelligence insights to increase efficiency and productivity. We are already working to pilot Einstein artificial intelligence within Salesforce to identify next best actions and opportunities for clients to achieve their goals.

Similarly, AI-driven insights will enable timely interventions with partners as part of managing conduct risk and keeping the business safe. Data and AI will also enable an evolution from our successful robotic process automation to intelligent automation of the future. We are developing this initially within our business checking function and indeed last year won an award for our early work in this area in partnership with Intellect, the Celent Model Wealth Manager award in Emerging Technology in 2020.

We were also recognized earlier this year as one of the best global case studies for intelligent automation in wealth management. This intelligent automation will further underpin our expense management over the coming years, whilst providing consistency and scalability for partners and clients. Ultimately, we see this developing into an AI-powered advice assistant to support partners. This will drive efficiency and productivity, allowing partners to spend more time face-to-face with more clients, focusing on the complexities of the advice as well as building long-term relationships. Our plan is to have a proof of concept operational within the next 12 months across relatively straightforward advice.

To support all of this, we will continue to invest in data science capabilities alongside our strategic partners, as we increasingly leverage the power of our ecosystem through data, including maturing our use of Salesforce through adoption of marketing cloud, social media integrations and more AI-powered insights. These plans will enable us to continue to grow inflows in a long-term sustainable manner through increased insights, deepened relationships and productivity, all underpinned by tech.

Beyond data, we are focused on re-engineering our business processes from paper heavy to digital first, a move from electronic correspondence, PDFs rather than paper, to true digital experiences for partners and clients, delivering efficiencies, cost savings, scalability and, of course, ESG benefits, all part of our vision of being the best version of ourselves. We are currently undertaking detailed research with clients and partners for our Next Generation Client Experience and expect to have a pilot launched in Q1 of 2022 with continuous rapid enhancement and innovation thereafter.

We are anchoring this in user centered design, working with partners, clients and potential clients across generations to design and deliver the digital experience they want from St. James's Place for both today and tomorrow. Our focus on data and re-imagining our digital experience for clients is part of our operational excellence program of work over the next few years, making it easier for everyone to do business with St. James's Place, whilst reinforcing our capabilities to support and enable sustainable growth in inflows and powering operating efficiency across the organization and, crucially, funded within our expense guidance.

I believe our plans are significant and ambitious and will power our future growth, alongside underpinning operational leverage, whilst keeping the business resilient. We have a track record in safe delivery given our Bluedoor and Salesforce journey in recent years, we have learned a lot and have the capability and expertise to deliver the expected benefits. These plans will lead to a data and AI-integrated ecosystem, delivering growth, scalability, efficiency and resilience, whilst reducing complexity, costs and operational risk.

We are already on this journey and beginning to see the benefits and these will further crystallize over the coming months and years as we deliver an efficient St. James's Place of 200 billion funds under management and scaling well beyond that and, of course, all these plans are included in our medium-term expense guidance. We are a people business with long-term, face-to-face, personal relationships enabled by digital at the core, powering sustained and efficient growth as we look to the future.

Thank you very much. And now I'd like to hand over to Iain Rayner, who will talk about how we are building a long-term business in Asia.

Iain Rayner {BIO 20875747 <GO>}

Thank you for the opportunity to talk to you today about our business in Asia.

I'm Iain Rayner, and I led the projects in 2013 and 2014 to acquire the Henley Group to form SJP Asia. And since October last year, I've taken over Executive Board responsibility. I think I'm right in saying that the last time we gave an in-depth market update specifically about Asia was at our Annual Results presentation in February 2015. And it now seems an opportune time to look again at SJP Asia and provide you with an update. An update on the considerable amount our team of partners, advisers, managers and employees in Asia have achieved over the last seven years. And more importantly, an update on our plans in Asia for the next five years to 2025, and our strong belief in, and commitment to, the longer-term Asian opportunity for St. James's Place.

There are three key things I want you to take away from this presentation about SJP Asia today. The first is that we plan to grow gross inflows by 25% per annum compound to 2025, such that we have a business growing from its GBP1.3 billion core funds under management today to GBP5 billion of core funds under management by the end of 2025, and annual gross inflows north of GBP1 billion. We grew core gross inflows by 27% in Asia in 2020 and are confident of achieving the 25% growth in gross inflows target in 2021 to over GBP400m.

The second is that having invested to build our presence, we plan and expect to move SJP Asia to cash break-even by 2025. We've built a fixed infrastructure which is now scalable over the medium term. We can create operating leverage through limiting further fixed expense growth, while increasing fee income through new investments and the maturing of funds in gestation. Beyond 2025, we expect to grow cash profits from the Asian business strongly as those operating jaws widen. In 2020, we reduced the post-tax net investment cost in Asia to GBP17.4m from GBP19.9m in 2019. And we plan to be below GBP15m in 2021, and then to reduce on a consistently predictable basis to cash break-even in 2025.

The third is that we see real long-term value in building a disruptive, growing and profitable presence in two of the most attractive wealth management markets globally. With the opportunity compelling and our plans clear, our commitment to Asia remains firm.

Before looking forward, I do just want to briefly revisit SJP Asia's history to talk about how we've got to where we are. When we talk about SJP Asia, we mean Singapore, arguably the world's most exciting wealth management market right now, and Hong Kong. And our Hong Kong office has a satellite office in Shanghai, dealing with expats in China.

We purchased the Henley Group, the building block of SJP Asia, seven years ago now in 2014, in order to provide us with a long-term strategic option in an exciting growth market. The origins of the Henley Group actually go back to the early 1990s, around the same time that SJP was founded. In 2014 our market entry strategy to the fast-growing wealth management markets in Asia, was as a British brand, built on largely expat British partners, serving largely expat British clients.

I talked earlier about the considerable achievements of our team in Asia over those seven years. When we purchased Henley it had GBP0.5 billion of funds under management, and today SJP Asia has GBP1.3 billion of SJP core investments and DFM, plus another GBP0.5 billion of third-party assets. From 4,000 clients in 2014 to 12,000 clients today. From 50 advisers in 2014 to 132 at the end of 2020.

In terms of infrastructure, we have invested, largely through our P&L, in building out three offices in Singapore, Hong Kong and Shanghai, a management team, a new life company in Hong Kong, and a branch of our Dublin life company in Singapore. We operate Rowan Dartington's DFM service in Hong Kong and Singapore under the St. James's Place brand. And DFM represents around 25% of Asian new business flows, demonstrating the importance of that service to our Asian clients and partners. And SJP Asia was an early adopter of Salesforce. There have been challenges, but we have overcome them and are well positioned for the next phase of our growth.

We are particularly focused on the UK expat market in Singapore and Hong Kong, where we are now the dominant UK expat-focused financial advice player. But today, only 50% of the SJP Asia clients are British expats. The other 50% of our SJP Asia clients are a diverse group, other international expats, of which Australians make up the biggest concentration. And increasingly high-net-worth families from across Asia, who live in or use Singapore or Hong Kong to conduct their financial affairs, but in many instances are really global citizens, with homes and families spread across the world, including and often in the UK. I want you to hold onto that thought of the Asian high-net-worth families and the global expats, using Singapore and Hong Kong to invest and structure their financial affairs because that's where our big medium to long-term Asian opportunity is.

Partners in SJP Asia today look after 12,000 clients with an average of GBP110,000 core funds under management invested. That's GBP1.3 billion of core SJP investments and DFM funds under management. I've said that we plan to have a GBP5 billion core funds under management business in Asia by the end of 2025. Our Asian partners are consistently acquiring 800 new clients a quarter, so 3,200 per annum. So even if we don't increase that run rate, we would expect our SJP Asia partners to be looking after 27,000 clients by the end of 2025. 27,000 clients with an average of GBP185,000 invested with us is GBP5 billion.

So how are we going to do that? There are 4.6 million mass affluent people with between $100,000 and $1 million to invest in Singapore and Hong Kong combined. There are then around another 300,000 people in Singapore and Hong Kong combined, with between $1 million and $30 million to invest. That's a total asset pool of just under $2 trillion. That's the pool in which we fish. Our market position is between the mainstream Asian life assurers with their agency and bank distribution and the private banks. Just as we do in the UK, we offer an upgrade path to those clients who may have bought financial products on an ad-hoc basis, but who now want and need to take a more planned and ordered approach to their finances, often as they get older.

And we also want to offer an alternative to the private bank client, who is perhaps tired of the fact that they are frequently being told that they need to up their minimums to stay with the private bank. Or whose adviser is thinking about leaving, perhaps because they want to take a more client-centered approach, in an environment where they work for themselves. Our guiding principle must be that our partners are doing business with clients who see value in international family wealth structuring, in wealth extraction strategies for entrepreneurial families, in long-term capital preservation and investment.

We also believe that our joint UK-Asian focus offers a distinct competitive advantage. The UK is still seen as an attractive place for many Asian families to educate their children at either school or university, and also to buy property. Even more so, given the 300,000 BNO visas which are likely to be handed out to Hong Kong citizens by the UK government. So we do financial planning and investment in a way that is cognizant of these important international lifestyle considerations. We are very conscious of those clients and their needs, and working with Asian families on those aspects will be very important to us between now and 2025. We are also working to make sure our SJP Asian versions of the investment proposition and DFM are optimized for Asian clients. That means more international and Asia-centric funds and portfolios, and we're working very closely with Rob Gardner and his team on that.

Just as in the UK, the powerhouse of SJP in Asia is and will always be our partners and advisers. The diversity and strength of the UK partnership is incredible. For many years, I've been lucky enough to work closely with many of the large and small partner businesses in the UK. We have several businesses around here in London, in the City and Canary Wharf, who have around GBP1 billion of funds under management each. And these businesses are compounding at an astonishing rate.

And when I walk into the SJP offices in Singapore or Hong Kong, I feel a strong similarity to our offices and teams in London in the City and Canary Wharf and beyond. Enthusiastic, motivated, bright people, serving the bankers, lawyers, accountants and business people in the world's most exciting financial centers. Clients follow or do business because of their advisers. What I think we know how to do is recruit and help develop the best partner businesses to find the right people and back them, to help them recruit, to provide them with the right products and services, to provide them with the right financing and technology and expertise. The things that Peter Edwards talked about earlier with respect to the UK. I think we have proved we can do that in the UK and, I know, that's the journey we are now on in Asia.

If we want a business of 27,000 global expats and Asian high-net-worth clients in Singapore and Hong Kong by 2025, then we need a diverse, high quality team of partners and advisers who will attract and retain them. We start from a good place. We have some brilliant partners in Asia who have stayed with us from the Henley acquisition and successfully built their businesses. We've recruited the very best expat-focused financial advisers in Singapore and Hong Kong since 2014 to become St. James's Place partners. And as I've just said, we continue to recruit them.

One of the lessons we have learnt is that we mustn't chase adviser numbers for the sake of it, recruiting too many inexperienced advisers. You'll have seen our Asia adviser numbers drift back in 2020 as a result. Our 2025 partner strategy is to have the best 100 partner businesses we can, split roughly 50:50 between Singapore and the combined Hong Kong and Shanghai offices. Many of these partner businesses will be multi-adviser, so whilst we'll aim to have the best 100 Asian partner businesses we can, I expect we'll have over 200 advisers by 2025. Increasingly, we are becoming the home for private bankers, or those running family offices for high-net-worth Asian families, who want more control over their lives or to work with their clients on their terms. And we must offer a career path for the very best Asian life assurance agents. A partner proposition based on empowerment and responsibility to look after their clients and their own lives. It's going to be a really exciting next few years.

When I look at what we're achieving now during COVID, I feel extremely optimistic about what we will do in Asia when the lockdown loosens. Just last week, we completed the recruitment of an advice firm in Hong Kong with GBP130 million of funds under management and six advisers. That's the type of thing that I know we can do more of. Just like we are in the UK, we've got to be the best place for entrepreneurs in Singapore and Hong Kong to build their financial advice businesses.

I started out talking about the history of SJP in Asia because I wanted to demonstrate that we have strong roots dating back, through the Henley Group, to the early 1990s. The point I want to make here is the importance of a long-term approach and long-term thinking. We've quietly and patiently built a GBP1.3 billion wealth management business over the last seven years. That Confucian value of long-term orientation is incredibly important to the people and also the regulators in Asia. Why should you trust your long-term savings with someone who has only a short-term mindset? That's a principle which is incredibly important to our clients and partners in the UK as well. It's in the DNA of SJP.

This year, our target is to have gross inflows in Asia north of GBP400 million, which will be 25% above 2020 and reduce the cash net investment to below GBP15 million. We're on track to deliver both. And we plan to move to cash break-even in 2025 on a broadly straight line predictable basis. Andrew mentioned this earlier, some historical perspective from SJP in the UK. It was really only in 2003, SJP's 12th year of existence, that the UK business became consistently cash profitable. And our business plan in Asia is to reach the same milestone at the same point, 12 years after our acquisition of Henley.

I've set out our medium-term financial targets to the end of 2025. 25% compound growth in gross inflows to GBP1 billion per annum. GBP5 billion core funds under management and cash break-even. Just as we have been in the UK over the last 30 years, we intend to be a market disruptor in Asian wealth management, bringing a long-term partner-client relationship, advisory approach to the market, amongst the big life assurers and private banks in Asia. We will win by building the best 100 Asia partner businesses we possibly can by 2025, by building a long-term, advisory client proposition with a distinct Asian, UK perspective and flavor, by being open and clear about what we're doing, and focusing on the priorities, to fulfil our promise on cash break-even. We're very excited by our Asian business and the opportunity for it. Over time, we will build confidence and excitement in SJP Asia, by delivering, in 2021 and the four following years to the end of 2025, against the clear numbers and strategies that I've talked about today.

Thank you.

Questions And Answers

A - Robert Gardner {BIO 15404543 <GO>}

Good afternoon, and welcome to the St. James's Place Capital Markets Day Live Q&A session. I will now hand over to Andrew Croft, Chief Executive of St. James's Place for opening comments before we open the line to questions.

A - Andrew Croft {BIO 5711239 <GO>}

Thanks, Rob, and welcome, everyone. I'm joined not only by my Executive Board colleagues, who presented this afternoon, but also Craig Gentle, Liz Kelly and Ian Gascoigne. And I hope you've enjoyed the presentation and let's now open up to Q&A. So first question please.

A - Robert Gardner {BIO 15404543 <GO>}

Can we please have the first question from Andrew Sinclair Bank of America, Merrill Lynch.

Q - Andrew Sinclair {BIO 17749036 <GO>}

Thank you, and afternoon, everyone. Thanks for all the presentations. Three from me as usual, if that's okay. Firstly, just on the academy. You talked about delivering 400 plus from the academy into the partnership from 2022. Would you see that as a steady state or do you think you'd look to grow the academy further beyond that level? How big can it get? That's question one. Question two was on DFM. I think you talked about consolidation opportunities in DFM, just wondered, is that part of the break-even time frame targets for Rowan Dartington or accelerate or exclude out in the timeframe? Just the thoughts on how fast you look any investments to pay back? And thirdly, was just on current trading and holidays, I think most of us on the call haven't taken many days off so far this year. I expect your advisers are similar as the world opens up again. How do you think that will influence flows over Q3? And was there any impact on that in Q2 flows so far? Thanks.

A - Andrew Croft {BIO 5711239 <GO>}

Yeah. Thanks, Andrew. And actually, I'll take them in reverse order and do the current trading one first. And we are really encouraged by what we've seen year-to-date and that underpins and increases our confidence that it should be another good year for St.

James's Place. But you're absolutely right, it's a tricky year to call, isn't it? And it's not a year where you can do simple extrapolation. I have no doubt, people will take holidays in August, but I'd just say we got off to a really good start and can be confident for a good year.

And so I'll hand over to Rob on the DFM.

A - Robert Gardner {BIO 15404543 <GO>}

Hi Andrew, Rob here. So just on DFM, the pathway to break-even 2024 is really just based on us focusing on getting that end-to-end joined out IMA plus DFM firing on all cylinders with our partnership. So any opportunities for either speed up or slow down depending on the nature of that deal.

A - Andrew Croft {BIO 5711239 <GO>}

Okay, thank you. Pete?

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. Thank you, Andrew. In terms of the projections, the academy moving forward, I imagine, it will be seven states that in the short-term, but we would always have the opportunity to increase the numbers of academy graduates into the partnership, but they, I think, more important things to remember is an Academy graduates trading program that is not determined in terms of timescale at the very beginning of their journey and with 60% of the people joining the company having no industry experience whatsoever. It's not something that's necessarily determined in terms of the date they joining that is a specified graduation point. So it's something that we remain flexible in the medium term.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thanks, Peter. Can we have the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Please can we have the next question from David McCann from Numis, please?

Q - David McCann {BIO 15885639 <GO>}

Yeah. Good afternoon, everyone, and thanks for taking my questions. There's going to be three in three different areas. The first one is probably aimed at Rob I'd imagine and as you outlined in your piece, I think the biggest challenge for anyone involved in the personal wealth at the moment is trying to get inflation beating returns for the underlying clients and it goes without saying. There's always been the objective, but it's ever harder at the moment. So you obviously outlined that you thought that you could. As I just really curious thinking into a bit more detail that what kind of assumptions are you making in the big asset classes would be both annual outperformance to offset the headwinds of fuel cost and obviously the inflation in noting that obviously in the annual report and the economic assumptions, you're shipping 2.6 plan is unit linked some in the frequent 3.3 inflation rate, appreciate it slightly different purposes. But nonetheless, I just wondered what the delta was there and how confident you are getting there? Sorry, long would be question, but how are you going to achieve those inflation beating returns is the first question in the area.

Second set of questions around Asia, and thanks for the comments there, Ian. Just wanted to -- one thing you mentioned was that which I don't think I've really heard in relation to Asia before that you mentioned that there was a notable amount of gestation in that number. So maybe you could just outline how much that actually is constraining the revenues, if you like of the business? So I didn't associate that business gestation business. And so it's similar to that, it seems, it sounds like revenue growth and asset growth is really how you're going to turn this into a break-even and beyond business within that kind of what is the revenue margin assumption kind of now versus 2025?

And then the final question or area really is just a quick one, really just on the Academy and tracking the kind of productivity of people who have left the Academy after, let's say, that 5 years what they're up to maturity, how has that been tracking over time? Have they've been getting better or worse? Thanks.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, David. Since the last question is on the Academy, I'll probably get us Peter first to answer the accounting question.

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. Thank you, David. It's a really good question, a good point which we covered in the presentation. People joining the Academy are predominantly younger, they have less experience and, therefore, current take slightly longer to get going as opposed to new joiners from an industry background. However, after about five-year period with the partnership, all our statistics tell us that they are as productive as people who came from an existing industry background. Now a little bit of the fact that we've known for many years, is the longer partners irrespective of background state of the partnership the more productive maybe come until they reach a point that they decide to evolve and that business by growing year by way of longer slowly indeed move into a different type of business shape so we got a long track record of people grow in their business over a period and at level that with us the more business they attend to.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Peter, and I'll got to Rob on the inflation beating question.

A - Robert Gardner {BIO 15404543 <GO>}

Yeah. Hi David, yeah, as you say, it's a challenging question. The way we've tried to tackle it with our core building blocks. So I talked about these global equity really got split by style. So I suppose, our core assumption is in the long term, and I define long term in decades not days is that one of the best ways to be inflation is equities. You know that within equities, you've got growth, value and quality and depending on what environment you're in, quality might do better or growth might do better. So that feeds to kind of the third investment relief, which is about diversification. So the bedrock will probably be inflation over the next decade, it's really about getting our clients invested in the right blend of equities.

The challenge, as you know, is the bond yields are extremely low, which is why we started to sort of build out I'll turn it is piece as well, so that, hence the consolidation of alternatives to give us diversification and a scenario like the 2000 to 2010, scenario we saw in equities. In terms of the expected return on alpha, each one of those building blocks has active mandates with a higher tracking areas with 5% to 10%, but the way we put it, we can get our tracking error down to 4%, which means that we think that we can get through the cycle, net of all fees or net of our management fees 1% outflow assumption. So that could be 20% on top of 5%, it's better return or equities depending on your view different equation environments.

Go ahead, Croft.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thanks a lot. On the Asia, I'm going to ask Craig on the gestation first and then Craig can hand over to Ian for the second part of the question, David.

A - Craig Gentle {BIO 20095126 <GO>}

Yeah. David, hi. The gestation figure for Asia is inevitably pretty, pretty small at the moment, but I think the point to note here is that having established our manufacturing assets here in Asia, the products and the charges were much in the same way as you're familiar with in the UK products. And say what you'll see is an increase in that top level of funds under management accumulates is with a lag in cash emerging and that's certainly something to watch as time goes on and as that becomes a more meaningful figure is one that we may choose to track at the age of externally. But inevitably at this stage in a sort of start-up situation, it's relatively small.

A - Andrew Croft {BIO 5711239 <GO>}

Ian, do you want to pick up the rest of it?

A - Ian MacKenzie {BIO 18366729 <GO>}

I mean, not much to add to that really. Hi David. Yes, it's we should use the UK experiences as a guide to the parts of cash profitability in 2025 an opportunity we basically expect and that -- but I think we're going to think we'll probably be stronger numbers on this stage in the UK video products.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Could we have the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Can we go to Ashik Musaddi from JP Morgan Cazenove, please?

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Hi, good morning -- sorry, good afternoon. Just one question from me, I mean, sorry I missed a part of the presentation. So I'm not sure if it is already covered. But you mentioned that there are plans to increase the productivity of the partners over next few years. I mean, could you give some clarity as to how that could happen? The reason I'm asking is, I mean see productivity is a bit complicated to measure as in like what is really driving productivity. So that's one question. And second question, I think you mentioned that about two-thirds of your gross recruitment in Academy is done by Academy, two-third of your gross recruitment annually is done through Academy. So does that mean that majority of your net recruitment is done through Academy?

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thanks, Ashik. I'll pass those both to Peter.

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. Hi Ashik. So the second question first. The Academy has been growing steadily over the last decade and indeed, the way we approach recruitment in the wider partnership has always been on quality led basis. As we mentioned in the presentation, the size of the available tool of talent that qualifies to join St. James's Place is not increasing and inevitably this means we to achieve our own growth aspirations needs to focus more on the Academy achieve in a greater proportion of new joiners. So yes, there will be over time a move towards more of our new joiner community be their advisers all these partners in that own right coming from the Academy. This is something that we're very focused on managing the growth of the business and a sustainable and manageable way.

Moving to the second question in terms of productivity increases, actually, it was on those slides how we have evolved the management of the partnership through what we thought would be a management team. What we're looking to do very clearly is as the partnership matures, and it's important to remember that some members of the partnership have been for 30 years almost, all the members of the partnership are very new by definition. But we look to isolate the category -- not category, sorry, the way a partner wishes to grow their business, be they in the business development phase, business optimization phase or business change phase, these are very simple processes that we -- capable management team through so help the partners grow, stabilize their business, to create more efficiency and to create both the business and the partner ultimately want to go on an or indeed the advisor within the practice looks to achieve for the owner of that business. So whilst it's difficult to measure because, you're right, it's an art, not a science, it's very important that we are able to establish the growth required for each individual business in the way that business wants to develop so. So we don't have a one size fits all strategy partnership, it's very much we spoke to the individual businesses.

A - Andrew Croft {BIO 5711239 <GO>}

I'll just see if Ian Gascoigne has got anything?

A - Ian Gascoigne {BIO 4439479 <GO>}

No. I think Peter covered most of the base is that one of the, I think, one of the life save is what we're trying to do there actually is fully the management team in the SJP interventions with the partner businesses to be appropriate and relevant to where that businesses on these own business cycle. And I think we can see some really great opportunities for more impact on the apartment business. The second one is a post-COVID world where partners themselves are reports through technology and through clients' acceptance to being a remote meetings and conducting business remotely, the partner businesses themselves are seeing opportunities to really increase their own meeting capacity. So not just face-to-face meeting or the face-to-face brand, but also supplement servicing meetings and new business meetings remotely for appropriate clients. So they've opened up an opportunity to increase that there is efficiency in this post-COVID environment.

A - Andrew Croft {BIO 5711239 <GO>}

Thanks, Ian. Can we go to the next question, please, Rob?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Can I just ask if everyone -- you did have your hand raised and we're going to ask a question. But that's sort of been answered, please could you take your hand down that'd be most helpful. In the meantime, we'll go to Oliver Steel from Deutsche Bank, please.

Q - Oliver Steel {BIO 6068696 <GO>}

Afternoon, everyone. So three questions from me. The first is on revenue margins. I'm assuming, given the sort of growth you've achieved this year that's going to be a sort of preponderance and that's of lower margin -- not a preponderance, but given the mix between gestation business and unit trust and ISA business that faster new business growth in the short term has a more negative effect on the margin in the short term. So I wonder if you could just comment on that. Secondly, I think you talked about being open to or not the opportunity of consolidating other DFMs, which I don't think I've heard before. Did I hear right? And how much potentially could you spend on that and could you comment on the risks you talked earlier about having recruited every single agent yourself? Obviously if you buy DFMs, you're not recruiting them yourselves. And then the third question I've got is on technology. I mean, you would say you have a competitive advantage, but I'm not sure where you do. Can you comment on where you think you're actually ahead of your competitors? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Thanks, Oliver. I'm going to pass the revenue margins to Craig.

A - Craig Gentle {BIO 20095126 <GO>}

Hi Oliver, the impacts of higher new business and you might expect actually doesn't impact on the margin range that we've given from net income on the funds under management, which may sound counterintuitive. If you think about sort of the business that goes straight into mature funds under management, but is really a function of the scale of mature funds under managements in switch that business is going so simply no change in any guidance we give them at that level as a result of business performance that we're currently saving. The other area, and obviously this is a trading update, but it's a matter of fact that we've talked about positive gearing and negative gearing in the presence of fixed costs in any calculation. But how is it impacts, but fundamentally, I don't think you should be looking for anything in particular any modeling that you're doing.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. And I'll probably just pick up the consolidating trend. It's always been part of this business model, Oliver, and you're absolutely right, any acquisition JPN acquisition with people business is risky. So it's in the business plan, but we have not acquired anything to date and whatever we do acquire will be very, very careful about it being a wide fit for the business, so hope that helps. I'm going to pass over to Ian on the technology.

A - Ian MacKenzie {BIO 18366729 <GO>}

Thanks, Andrew. Thanks, Oliver, for question. Couple of points I'll bring out in terms of what we said, I think we said we believe technology will give us its competitive advantage as well as giving us one some of that our ability and scale to engage with large tech firms and their desire to work with us. So we are seeing that as a tech firms want to work with us, want to talk with us in terms of what we're trying to do and how we can drive the evolution of the market here, particularly that the hybrid piece there.

And the other point I'd bring out here is, I think for many people when say, it's many people on the call, we probably not showing of light what we're actually doing and where we are of the journey we've been on. And I'll feel just to give you a little color here which we're strong money marketing. About a year ago, we are and I quote, SJP's digital proposition has further advanced than that of many firms and the article on to save SJP have a level of functionality and many mainstream platforms that do well to emulate it. So I think there is some sort of that from last May for McKenna and right to get to money marketing. So I think there's how we tell the story of what we're actually doing and achieving and how we capitalize on that, what to move big tech given our scale and our plans then giving us occupancy ventures is going forwards.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Ian, and just looping back to the DFM consolidation, I should have said anything we do will be small. Again, we're not looking to do some huge deal. But there is a large number of small DFMs out there that economically will be struggling, and we could be a good hunt for them.

Can we go onto the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Next, can we talk to Andrew Baker from Citi, please?

Q - Andrew Baker {BIO 20402705 <GO>}

Hi, thanks for taking my questions. So just two from me, please. First is on the Academy. Can you just give me a sense of your retention rates for graduates from the Academy?

So for example of the graduates in any given year, what percent would you still expect to be partnership and let's say three to five years time? And then secondly, on productivity, so sorry to get back to this, but maybe I can ask in a slightly different way. If I look at your gross flows per advisor, it looks on a peaked in 2017 and is declined every year since then. I appreciate that some of that is the consumer sentiment impacting the flow number, but with your investments in Salesforce, Bluedoor and your other initiatives that you're doing there, are you expecting to get back to or even exceed the 2017 levels? And what do you say the run rate for this? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

I'm going to pass you over to Peter in a minute, but I think the -- I wouldn't underestimate the impact of the markets of the election of Brexit of COVID that clearly has had a large impact. And of course, you're seeing that already starting to reverse this year, but anyway, Peter, over to you on the Academy -- both the Academy and productivity questions.

A - Peter Edwards {BIO 20875780 <GO>}

Okay. So the Academy retention, I think what we know is the longer people with us, they're more likely safe. So the Academy in terms of the career change journey for people is and I'll generalize, it can take a couple of years ago from being a complete non-industry persons and getting through your exams to becoming competence with clients and that what we tend to find is if the future is a financial advisor is not for people, it will be on life journey and that's why we're very careful and diligent that don't supportive of the people who go through the training program.

Once people have graduated and this is really key point, they are already in the process, demonstrating that they are able to be sustainable in terms of either winning their own business or as an adviser insights from analysis business. We have a methodology, where people move away from the Academy and so what we call the growth and development phase where they are very closely managed on a small ratio against the field management team and they are then talk to real trade so they're learning is continuing over a number of years until they are good and absolutely sustainable business in their own right. So the Academy post-graduation will not be any different from the published numbers in terms of our retention for partnership.

A - Andrew Croft {BIO 5711239 <GO>}

And when the retention question do we -- retention productivity question, do we believe productivity can get back to 2017 levels and beyond?

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. No, I mean I think Andrew might point when he talked about in his opening remarks, when he talked about the volatility about Brexit, about how it is naturally had an impact on all sorts of businesses. I think all the things that we've done really successfully through this it is maintained contact with partnership, kept the partnership intact, really stayed close to their business development, continue to grow the capacity within that such as Ian MacKenzie has mentioned earlier on. So whilst we want to reflect back to 2017, I believe that we will improve productivity on an ongoing basis absolutely is fundamentally is the growth of the business is something that is actually cornerstone of the strategy we got to achieve are stated target, so yes, very confident.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Peter. Could we go to the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Can I have Enrico Bolzoni from Credit Suisse to pose his question, please?

Q - Enrico Bolzoni {BIO 19966397 <GO>}

Hi, good afternoon, and thank you for the presentation. Three questions from me if I may. The first one is on cost reduction and the new technology. So you were mentioning, for example, that 25, I think full time employees less would be required thanks to a combination of Bluedoor and Salesforce, I guess. When I look at in the grand scheme of things, however, this is still a very, very small proportion of your thoughts on workforce. Can we expect something more for the coming years? By that I mean can the new technology, the recent investment you made really be a game-changer in terms of reducing permanently your run rate cost in terms of full time employees, in terms of new recruitments necessarily to support the business or simply the business model requires and will continue to require substantial hires, going forward no matter what the technology is? So this is my first question.

The second one, as you clearly are focusing much more on the Academy for sustaining your future growth, is there a chance that actually you might move to slightly lower demographics? By that I mean clearly younger, less experienced advisor might for example target less wealthy clients and, therefore, you might step into a slightly different market compared to what has been historically for you? And then the final question, if I heard well, you say that you would be able to integrate your DFM proposition together, basically with the rest in a single proposition. Can you just expand a bit more on that? What actually that might mean in practical terms? Thank you very much.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you very much. I might take the first one on cost reduction because we were very, very clear in our strategy back in February that we would be looking to limit cost growth to 5% per annum and nothing has changed in our strategy there. So technology is a way that we will enable our sales to do that, whilst growing gross flows by 10% and continuing to grow the scale of the business. I'll put again go on to the Academy Peter and to demographics.

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. I mean, it's a great question, and we go on the -- I think one of the real strengths of the partnership is this rule the church if you like the demographics, all being nationwide offering and certainly what we find is that just because people who tend to join the Academy are younger than people who are in mainstream face-to-face advice elsewhere in the profession doesn't necessarily mean that people that they attract to do business with St. James's Place all the bit out of the different caliber or indeed any lower financial standing. It's important to remember that the significant number of people who graduate from the Academy are graduates as well as larger businesses who will have client service in legend settled within those businesses and giving them the opportunity to ensure first class client service and retention. So absolutely no indication or record of what happened in the past, we'll obviously it's something to keep a very close eye on. No indication of that.

A - Andrew Croft {BIO 5711239 <GO>}

I might see if Ian Gascoigne, if he wants to add.

A - Ian Gascoigne {BIO 4439479 <GO>}

No, the only thing I'd say is one of the strengths of the Academy is bringing in a wide diversity of individuals of age and gender and also it's Rob Gardner told earlier about taking a long term view of things, it's a level of future proofing going on with the Academy. I have understand the questions, the intensity of questions about products here to say and how long do they become et cetera. But this is future proofing the business both in terms of use and vibrancy and also a diversity, which will put the business in great stat.

A - Andrew Croft {BIO 5711239 <GO>}

And Rob, do you want to pick up the DFM?

A - Robert Gardner {BIO 15404543 <GO>}

Yeah. Good afternoon, Enrico, Rob here. So if you remember back to my presentation, what I have the proposition triangle, we've said to be our core IMA and then it has discussed from management's and stockbroking bit. A couple of key changes have happened in the last 12 months. So one internally, it's now called SJP DFM and so our partners no longer see this as necessarily a separate proposition, but completely integrated with the way that we do business.

Second and is probably not come out, but actually in the back end, we're integrating it to all of the stock -- Ian MacKenzie talked about some has been easy to do business to create a seamless way of operating. But thirdly, the big game-changer for me is the integration. If you remember, I talked about the four key ingredients for long term success; the right people, the pace technology, the investment governance and those investment believe. So the Rowan Dartington team now sit with our core IMA team here in Lombard Street and in various offices around the UK, we share the same set of investment beliefs, we'll be implemented in different ways and that's the whole point. We're now able to leverage the data and technology between the two businesses. So this is the real opportunity is that ability to leverage our size and scale of our (Technical Difficulty) tailored approach to DFM and stop working, but with a common set people based on technology investment beliefs and investment governance.

A - Andrew Croft {BIO 5711239 <GO>}

Thanks, Rob. Could we go to the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Can I please ask Andrew Crean from Autonomous to ask his question, please?

Q - Andrew Crean {BIO 16513202 <GO>}

Good afternoon, everyone. I've got three questions, if I may. Firstly on performance, Rob, I think you said there's 12 portfolios with 39 distinct firms. On a weighed basis, what I'm interested in is the performance of those funds relative to the benchmark over time comparing to inflation is not particularly high hurdle to beat. So I'd like to know really whether your funds are actually beating the competition that real competition?

Second, on client growth. Does over the COVID period, I think if I'm taking from June 2020 till now, you're growing the client base by 70,000. Hargreaves loans has grown by 210,000. So it's growing 3 times the rate. And I just wondered, with an advice model, you are limited in terms of your client acquisition just by the number of advisers, whether there's anything you can do about that to capture this sort of swing towards investing that we've seen over the last year?

And then finally, I think at the moment, the number of advisers but client is 193 clients per adviser rather. With the additional technology, where do you think you move that number to? And what does it mean? And are what the implications of that in terms of overall adviser growth if you're trying to grow gross flows by 10% per annum?

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, Andrew. Go to Rob first on the investment performance.

A - Robert Gardner {BIO 15404543 <GO>}

Yeah. Good afternoon, Andrew. As you know, the 39 funds means that there is a lot of different choices. So in July, we will be producing our VAS report with all of our both absolute and relative performance. The key thing for me, if you look at our big building blocks which are global equity funds that we've relaunched last year, all three of those funds are outperforming their relative benchmark, but you'll be aware that the key shift was the shift in value. So our Global Value Fund was up massively, but it's seen a 22% outperformance in the last six months. But that's the point I want to go back to decades not days and the key thing is about making sure that we have both the absolute and relative performance on a rolling five year and decade basis and get it right.

Looking back, the key challenge, as you know, is that a lot of the performance in equities over the last five to 10 years is really been momentum-driven and so where we really repositioned our IMA is to make sure that we are well exposed to the key drivers and actually, we're taking real active risk where we want to take it. So as I mentioned earlier, each one of those mandates has a five to 10 tracking error and versus their relative rather than, let's say, an MSCI one so whether it's a valuable growth or momentum, most of our managers who have actually demonstrated that by holding the course done right well.

Take the UK Income Fund deep value manager, that's outperformed UK all share by 20% in the last 12 months. The preceding four years, as you know, deep value in the UK market is underperformed. So that highlights why we need to get this right. But I would say two-thirds of our equity fund managers are kind of outperforming on a relative basis of a rolling three to five year period.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Rob. On your second question, Andrew, on the client growth, I'll say a few things and I think Ian Gascoigne, he might go into a few things. We are of course a different model to offerings. We are vertically integrated as I said in my section being platform. So it is totally different to compare one way or the other. But Ian?

A - Ian Gascoigne {BIO 4439479 <GO>}

Yeah. I was just going to build on the same point. I think that there is no doubt Hargreaves benefits from the lockdown and a lot of people who all staying home and opening accounts. I'm not sure they would clients. We to acquired 72,000 new clients during a lockdown period. I think it's quite remarkable performance that only different types of business, we're acquiring clients through a relationship with a partner for the moment, some people are opening new account with our groups. I think that are very different.

A - Andrew Croft {BIO 5711239 <GO>}

And I think it was third point, Andrew, was on the number of clients per adviser. And again, we're share with some people having been here a long time and other people having been here for a short time, but I'm going to pass over to Peter on that.

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. Thank you, Andrew, The point Andrew makes that the length of time that Ian Gascoigne mentioned takes place I think is quite important place to start because as I said a few moments ago, some people who have been here almost 30 years, a lot of people are relatively new. So the calculation of dividing the client by the partner numbers is slightly misleading in some ways and as far as some new people, the day you're appointed at St. James's Place, you don't have any St. James's Place clients for example.

Why would draw from this, so if we use the 190 to 200 is the longevity of client relationships with St. James's Place, which Andrew referenced in the very early tenants of the companies desire to grow the business. The way that we are able to maintain client relationships with St. James's Place across new advisers throughout the lights on of our clients and by our ability to use our business sale and purchase agreement means that actually, yes, I do think that the adviser growth will be well managed moving towards your the second part of that question. Well, the clients per adviser will continue to grow in line with the adviser growth and indeed. I think the important factor is the length of time these client spend with the organization and our ability to maintain the client relationship and corresponding investments.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Peter. And discuss our light statistic, just to put some flesh on that one, we've got 600 clients on the Asian bond who hopefully are going to be with us for very, very long time. And we have 200 clients over the age of 100 almost certainly all that's been done with enhancements tax planning in mind as well. Could we have the next question, please?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Just before we move on, could we just ask if anyone else does have a question, please raise your hand on the chat, and we'll come to you in due course. For now, can we move to Abid Hussain from Shore Capital, please?

Q - Abid Hussain {BIO 17127644 <GO>}

Hello? Hi. I think actually most of my questions have been asked, but I do have one question that remains. So, I'll start, it's just on Asia. I was just wondering how your competition in Asia differs to that here in the UK because in the Asian markets and Hong Kong and Singapore, you've got the large life insurers with large tied agency forces. And I'm wondering does that sort of provide you with a robust competitive landscape locally? Or is it simply a case actually this very limited overlap, because you are focusing on UK and international expats? So any more color on that would be helpful. Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, Abid, and I'll pass that over to Iain Rayner.

A - Iain Rayner {BIO 20875747 <GO>}

Thanks, Andrew, thanks, Abid. Yes, I think the competition in Asia is going to be different than the competition in the UK that's the assumption in itself, I won't go to that. In Asia, what I think we've done successfully over the last seven years or so is recruit a very significant majority of the UK and other expat focus IFA businesses, if you like, unless a limited pool, but I think we've done that. And they in many ways, we're are on original competition. Now, I think you're right, we're focused in a different area, particularly that pivot towards Asian high net worth families.

And actually, I think the competition there is actually the private banks, so post the thermal private banks and also the become regional ones and that's where we would look to have some conversations with some of their people that might want to come and join us as partners, and I think we will certainly be competing them with in terms of client acquisition. The life insurers, the big of life insurers, I think there's an opportunity there to have some conversations with some of that short-term agents if you like, but I think that's very, very different model as a very bancassurance product led model, which is we're obviously advisory, that's not trying to be who we are.

A - Andrew Croft {BIO 5711239 <GO>}

Okay, Thank you, Ian. Could we go to the next question, please, Rob?

A - Robert Gardner {BIO 15404543 <GO>}

Yes. Does Steven Haywood from HSBC have a question, please?

Q - Steven Haywood {BIO 15743259 <GO>}

Hi there, sorry, can you hear me?

A - Robert Gardner {BIO 15404543 <GO>}

Yes, carry on.

Q - Steven Haywood {BIO 15743259 <GO>}

Yeah. There was only one question I had. You've given some explicit targets 2025 for the Asian business. I wonder, if you had some explicit targets for the DFM business in terms of AUM expectations by 2025? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Okay, thank you, Steven. I'll pass that over to Rob.

A - Robert Gardner {BIO 15404543 <GO>}

Yeah. Hi Steven, yes, so our goal is to get to GBP5 billion as quickly as possible. So that's kind of a good proxy for when we break-even, but by 2025, we should be able to get to about GBP8 billion in DFM.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you. That answers the question? Next question, please.

A - Robert Gardner {BIO 15404543 <GO>}

Can I ask Andrew Sinclair, Bank of America Merrill Lynch? I think he's ready to stand again.

Q - Andrew Sinclair {BIO 17749036 <GO>}

I have indeed, just one final one for me. It was just -- there's been quite a few questions about productivity and I would imagine, you'll get a good boost as well from some higher markets. I think you've previously talked about around 80% of patents gross flows come from money that was already effectively in the system. I'm just really wondered if you can give an equivalent figure for investment bonds and unit trust and ISAs, how much of that would already be market linked to say and ISAs elsewhere? I'm guessing it will be lower than pensions, but still some market benefits there? Thanks.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Andrew. I'm not sure we have doubled getting doing in any face-to-face Q&As. I think what you're asking, Andrew, is because I missed the question Slide 2 statistics that we would use is roughly 50% of business comes from existing clients and 30% to 40% comes from introductions and referrals. I would say that is in different across products if that makes sense. But I think you've might also been asking your question about how much money comes to stability in the market, is that the gist of what you're asking?

Q - Andrew Sinclair {BIO 17749036 <GO>}

Yeah, that's the crux of it really. How much is already in the market? I think you'd previously said something like around 80% for pensions, and I'm just looking for an equivalent figure for other products.

A - Andrew Croft {BIO 5711239 <GO>}

Who wants to take that one? Anyone. No, I'm not sure I have to take off the top of my head. Craig is saying that he will take.

A - Craig Gentle {BIO 20095126 <GO>}

I mean the gist of what you said for pensions, Andrew, is it inevitably correct, because the nature of the product, simply where you've got people moping up all sorts of legacy investments. So that tends to be something that we have discussed in the past, but we haven't yet and I'm not sure we are planning to the data out there showed an analysis of where the funds come from in terms of already invested or new money in the other products. So I'm afraid, that's one where I might just draw a line. But you are right in terms of pensions, because the nature of the business is that there is a lot of transfer work out that where people are tightening up their repairs.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thanks you, Craig. Thank you, Andrew. Can we have the next question, please, Rob?

A - Robert Gardner {BIO 15404543 <GO>}

Can we please ask Oliver Steel from Deutsche Bank for a question?

Q - Oliver Steel {BIO 6068696 <GO>}

Actually I did the go ahead but up my hand again. I have no other questions.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. So I think I'm being told there is no more questions in the queue, which is good news and it means we can be released a little bit earlier. So I was going to say thank you very much for joining the Q&A. I hope you enjoyed the presentations and it's given you some helpful insight into the business and also why we remain very confident about our ongoing prospects to 2025 and beyond. If you do have any questions, you know where we are. So please do contact us. So finally, stay safe and thank you, again.