S1 2020 Earnings Call

Company Participants

- John-Paul Crutchley, Head of Investor Relations
- Mark Satchel, Chief Financial Officer
- Paul Feeney, Chief Executive Officer
- Stephen Gazard, CEO, Quilter Financial Planning
- Steven Levin, Chief Executive Officer at UK Platform

Other Participants

- Andrew Sinclair, Analyst
- Greg Simpson, Analyst
- Gurjit Kambo, Analyst
- Jens Ehrenberg, Analyst

Presentation

Paul Feeney {BIO 17570862 <GO>}

Good morning, everyone. And you'll understand we are doing things a little differently today. But the broad format is similar to what we've done in the past. I'll walk you through the business highlights, Mark will then talk to the financial performance, and then we'll take questions.

For those dialed in on the conference call, you'll be able to ask questions directly, otherwise, they can be submitted through the webcast.

Let me start by saying something we all know. The first half of 2020 was uniquely challenging. So I want to acknowledge right upfront the fantastic efforts and dedication of my colleagues across the organization in these very challenging times. Our teams have been there for each other and for our clients.

Now, whatever the external environment, there were three important metrics by, which I judge our business performance over a period, financial performance, strategic progress, and operational improvement. And on each of these metrics, I'm pleased with how we performed so far this year.

Our financial performance was good given the market context. Adjusted profit of GBP71 million was lower, but we performed well against market expectations. Our performance in attracting gross flows held up strongly over the half despite the turbulence and our net outflows of GBP1.1 billion were significantly ahead of last year. Our integrated flows were stable, and our overall assets under management and administration at end of June, were down only modestly on December, albeit after a fair bit of volatility, which Mark will discuss later.

We've also made real strategic progress. As you know, the first migration of advisers and clients onto our new platform went well. And we're now ready to migrate the vast majority of assets in the fourth quarter, which I'll talk about shortly. The integration of Lighthouse is progressing well, and we've continued to build out our national advice proposition in both Quilter financial advisers, and in Quilter private client advisors. And we've announced management changes to drive Quilter Investors and Quilter Financial Planning into next stage of growth.

Turning to operational improvement, while our focus is on day to day enhancements across the business, our optimization plans are on track. And beyond that, we'll deliver an additional GBP30 million of tactical cost savings this year. We've added more investment managers in Quilter Cheviot and new advisers in Quilter Financial Planning. We've implemented a significant upgrade of our CRM system in Quilter Cheviot. And we've also delivered a back office technology upgrade in Quilter Financial Planning.

So plenty of progress despite COVID and lockdown conditions. And we've also placed a priority on supporting all of our stakeholders, employees, clients and advisors, and the wider society too. As you'd expect, our people, colleagues right across the organization were our first priority. We mobilized that pace. By early April, over 98% of our staff were working remotely. Our IT teams did a tremendous job of deploying kit and telephony systems to enable us. That enabled us to maintain high levels of client engagement and operational resilience despite the lockdown.

We also focused on the mental well being of our colleagues. Now, many of you know that this is a personal crusade of mine. I want all my colleagues to know that it's okay not to feel okay. And to support colleagues in that position, we took Thrive, our existing Quilter well-being program and we repurposed it to support colleagues who might be struggling with remote working and isolation issues.

We also made our well-being support program available to 23,000 independent financial advisers across the UK, not just those who use our platform, as well as keeping our call centers fully open. We provided a wealth of online and offline materials to support and guide advisers and clients through the market volatility. We've also adapted to a steep increase in digital adoption with advisers and their clients now happier to interact through video, rather than meeting in person.

Changes to this industry that I thought would take three to five years have happened in as many months. As a broader community contribution, we made the first module from our Financial Adviser School available free online. So now anyone can investigate whether training as a financial adviser is for them and 300 people signed up to do so during lockdown. Separately, the Quilter Foundation has stepped up its efforts to support our key charities. And I'm pleased that as an organization, we were one of the first companies to donate to the UK national emergencies trust.

Lastly, and very importantly, our balance sheet strength and strong liquidity meant we could continue with all our announced returns to shareholders. These included: completing our Odd-lot offer, which shrank our share register by nearly half; completing share repurchases of around GBP76 million up to close of business on Friday; obtaining FCA approval for the second tranche of our buyback program; and of course, paying our final dividend for 2019.

Before I move on, let me just say a few words on the interim dividend. The Board decided it is right to pay an interim dividend. But we won't decide on the overall payout ratio for 2020 until there is greater clarity around the full year profit outcome. While we have given guidance today, based on our assumption of relatively stable markets, there's obviously still considerable COVID related uncertainty. So we think a conservative approach is appropriate. And that's why we've set the interim dividend at the low-end of our target payout range until some of those unknowns become clearer.

Now, let me step back from the external environment to talk about the business starting with flows. What you can see here is gross sales in the dark green bars with outflows in grey and black. Clearly what's important is the net flows, which are captured in the dark green line. We delivered GBP1.1 billion of net client cash flows in the first half of 2020. That's up nearly four-fold on the same period last year. When we first saw the impact of outflows from the team that resigned from Quilter Cheviot. Those outflows are shown in black.

At our first quarter update, I said, we were seeing some softening in our forward looking indicators, and you can see that in the lower gross flows in the second quarter, which has continued into July. But what I've been particularly pleased with is the equally lower outflows, which left us with solid net inflows in both the first and second quarter.

One of the impacts of the COVID situation has been to accelerate a trend that we've been highlighting for a while. We're seeing clients switch from fully active towards core satellite and passive investment solutions. As we anticipated, this has impacted the Quilter Investors revenue margin in line with our expectations and past guidance. We've been planning for this shift for a while and are offering new products to meet those evolving client requirements.

For example, as well as introducing Cirilium Blend last year, we recently added our WealthSelect offering to our restricted adviser matrix. As you know, WealthSelect is a managed portfolio service, which is only available on our platform. So although its lower revenue margin reflect its narrow mandate relative to Cirilium Active, we also gained platform revenues whenever it is selected. And importantly, given the breadth and attractiveness of our offerings, we're well positioned to retain the overall fund management within Quilter and grow share with our new platform when it comes onstream in a few months' time.

Finally, on this slide a few words on DB to DC transfers.Although, it is not significant business for us, we welcomed the FCA's plans to reform the Defined Benefit Transfer market. It will help promote better customer outcomes industry-wide. It focuses DB advice on those clients who are most likely to benefit from it. The FCA's approach is totally consistent with our existing practice. I've highlighted our DB to DC flow contribution in light green shading. This increased modestly in the first half of 2020. But we expect a more subdued second half for two simple reasons, the virus and lead times.This is very much face-to-face work, and so not surprisingly, we've seen the active DB to DC case count fall by over 50% in the last couple of months.

Now, let me turn to investment performance starting with Quilter Cheviot, which has continued to deliver strong performance. You can see that over 3, 5 and 10 years, it has outperformed against its ARC benchmark. It's also done well on a one-year basis.

In Quilter Investors, our WealthSelect range has continued to deliver excellent performance and the medium and longer-term performance of our multi-asset solutions also remained strong. However, our Cirilium Active range has underperformed over the last year, and that is being addressed. Pleasingly it has performed very well in the recovery since March 23rd. We've simplified and broadened Quilter Investors offering by consolidating funds and launching new products. These include our new multi-asset income suite and our Cirilium Blend proposition, both have raised significant assets and are performing well.

Let me now turn to our new platform project, which as you know, is something that I'm really excited about. It's going to be transformative for Quilter. We successfully completed our first migration back in February. We have proven our ability to execute on migration and are pleased that our platform is working well at scale. We've also been supporting and working closely with advisers who were in our first migration and have made enhancements to the platform under migration plans based on our experience and their feedback.

While it's early days, we've seen good engagement from the advisers who have been migrated to the new platform. For example, more than half the migrated firms have increased their client flows onto the platform in the first half of 2020 relative to 2019. A number of other firms have even moved from net redemption in the first half of last year into net positive flows in the first half of this year. We've also seen encouraging take-up of some of the new products we now offer such as Junior Junior ISAs.

So turning to our second migration, organizationally, we are ready for it. And despite COVID-19, we expect the project to be substantially complete by the end of this year. We've been doing dry runs and dress rehearsals to be ready for a planned final migration in late summer.

But at the same time, we've had to factor COVID into our planning, which has two key impacts. First, we won't necessarily have all our staff in one place. We have done dress rehearsals in these conditions, but it does add an additional layer of complexity, but the bigger issue is ensuring adviser readiness. A number of adviser firms have furloughed staff especially Paraplanners, who are often responsible for dealing with the platform.

Our number one priority is ensuring a smooth and safe migration for our customers and advisers and adviser readiness is key to achieving this. To keep momentum, we're now going to split the second migration into two phases, which will enable us to focus support on each cohort of advisers and customers. We will migrate around 75% of total platform assets in the next migration. We are aiming for October or the fall back of November with a final decision based on our confidence in adviser readiness. This migration will cover around 2,000 adviser firms including Quilter Financial Planning.

And then we expect to undertake the final migration in early 2021. Of the 5,500 firms in this cohort, a number use Quilter as their second or third choice platform due to limited current platform functionality. We believe this group will find our new platform proposition compelling. So a successful migration is key to building deeper relationship churn [ph]. By doing things this way, we expect the project to be substantially complete with over 80% of assets migrated this year and just eight weeks or so later than our pre-COVID plan.

On the basis of our current expected timelines for these migrations, we anticipate the total cost to complete the project will be around GBP200 million, so about $15 million more than previously guided. As I've said at the outset ensuring continuous strategic improvement is about making our business increasingly client centered. Our mission is to bring high quality wealth solutions to our clients through whatever channel suits them. We are removing the clunks, so that clients can access Quilter's WealthSolutions, platform tools and advice capabilities however they want, the omnichannel approach.

So looking at our business. On the left hand side, you can see our two powerful distribution channels, our own restricted financial advisors and independent financial advisors. On the right, you can see our open architecture approach to investment solutions. We want to deliver the right solution to each client in the appropriate investment wrapper.

And as you know, our model is all about quality-assured choice.Over time, we expect our new platform and the build-out of Quilter Investors to drive increased integrated flows. So a greater proportion of the float generated by those two powerful distribution channels would be managed and administered within the Quilter ecosystem. Our new platform will help us take a bigger share of the pie available in the IFA channel.

And at Quilter Financial Planning, the appointment of Stephen Gazard as Chief Executive is about improving the productivity of our business. We want to do more with the incredible franchise we've built to drive sustainably higher client flows.

Similarly, at Quilter Investors, we've appointed Bambos Hambi to drive the next stage of development and to ensure that our investment solutions are fit-for-purpose in a lower margin world. At Quilter Cheviot, we continue to build our team of investment managers, and we're also seeing closer integration with our high-end advice business, Quilter Private Client Advisers. We're getting good traction here with our combined all in advice and investment management offering.

Finally, the discretionary fund management capability that our new platform brings is exciting for IFAs, who currently use the platform. And from next year, it will enable Quilter Cheviot to manage discretionary share portfolios easily on our UK Platform too.

All of our efforts are focused on creating a modern advice-led wealth manager, built on a few simple principles, and I'm in danger of sounding like a stock record on the point you can see here, so I won't repeat them again. They are consistent and at the heart of everything we do.

Right, let me hand over to Mark to run through the financials and then I'll be back to summarize and take Q&A.

Mark Satchel {BIO 18275874 <GO>}

Thank you, Paul and good morning everyone. As you know, the first half of 2020 was a pretty challenging period for a whole bunch of reasons. Notably, the volatility in the markets has obviously had an impact on our assets under management and administration or AuMA, which has flowed through into revenues. So I'm going to drill down into that in a bit more detail than I normally do to help you understand how we are managing our business to deliver the right outcomes for all of our stakeholders.

But let me say upfront, the four messages that I hope you take away from our presentation are that: the business is in good shape; the trend in revenue margin is playing out in line with our expectations; we've got costs well under control; and having delivered a strong performance here in the first half, we plan to do even better in the second. And lastly, we've got a strong balance sheet with our capital return program remaining on track.

So let's get started. We think our performance during the first half was pretty good given the market environment. Overall, adjusted profit, flows and our operating margin all stack up well against market expectations.

Net flows were nearly 4 times the level we saw last year, still below our 5% target, but making good progress in the right direction. Our AuMA at the end of June was pretty much at the same level as a year earlier. And we achieved an operating margin of 21%. All of this delivered adjusted profit of GBP71 million.

Let me walk you through the details behind the profit number. Starting top left, and as already mentioned, flows were much improved than those of a year ago, with better persistency, particularly encouraging. There was little change in our AuMA figure at end June versus a year earlier. But the journey to get there was somewhat different, which is why reported average AuMA was slightly higher. We'll getting into that shortly. And top-right of the slide, you can see revenues were down 4%. Costs bottom-left were up 2% or GBP5 million after absorbing a number of expense increases, which were largely offset by optimisation and other cost reduction initiatives. That gave an operating margin of 21%.

As a result, we saw around 20% decline in profit contribution. But as I said a moment ago, there were several items which led to a drag on profits, including Quilter Life Assurance stranded costs, significant increases in the FSCS levy, double-running London property costs, and COVID related expenses. I'll get to these in detail later.

So the end result was adjusted diluted earnings per share of 3.5p, a decline of 15% on last year. That's a smaller decline than we saw in adjusted profit as a result of the share buyback program and a slightly lower tax rate.

Right. Let me give you a broader perspective of what happened in the business in the first half. I promised you a little more detail on the evolution of AuMA, and this slide shows it. The detail in grey shows our AuMA evolved over 2019. The bars represent the month-end positions and the gray line shows the rolling average as it built up through the year. And the green shows the same for 2020 to-date.

In 2019, AuMA trended up during the first half and then remained broadly stable in the second half. In contrast, in 2020 AuMA started at a high point, fell to a low of GBP95 billion at the end of March with the broad-based COVID sell-off and then subsequently rebounded back to GBP107 billion.

From a P&L perspective, what's important is average AuMA, which drives revenues. So if you look at the two lines, you can see that in the first quarter, average AuMA in 2020 was well ahead of the corresponding period in 2019. But as the year has progressed, those lines have converged. So as you think about modeling revenues for the remainder of the year, bear in mind market levels will impact how the green line progresses, and our expectation is that broadly stable markets would leave the two lines to converge further in the second half, making the second half a tougher comparative for revenue momentum.

Now AuMA is only one component of revenues. The other part is margins, where as you know, there are structural pressures across the industry. So let's turn to that. We've seen a 3 basis point decline in the Group margin in 2020. I've been saying over the last few years that I'm expecting some margin erosion to take place and we are well positioned to deal with this. So let me explain what's behind it by looking at trends across our business units.

First Quilter Cheviot, the black line has experienced relatively stable margins. New business is coming on the book at a broadly similar margin to our existence stock.

Second, Quilter Investment Platform in maroon. Here, we see a gentle dilution of around 1 basis point a year, in line with our guidance. That reflects the new business being generally priced in the mid to high-20s, so it is slightly lower margin than the stock. This differential is most pronounced with clients of Quilter Financial Planning where we offer the platform at our keenest price point. Although it is dilutive to the overall platform margin, we would like more QFP clients on the platform as it generally enables us to benefit from incremental revenues in another part of the value chain. You can also see the impact of the platform repricing, which came into effect in April.

Thirdly, Quilter International, which is the blue line. Here, as you will remember, new assets have been coming onto the platform in our portfolio bond at lower margin than legacy assets for several years. That's why we have been very hard on costs here in order to maintain profitability.

Finally, Quilter Investors in orange. You can see the improvements in the margin in 2019, which reflects two things: first, the provision release that we called out at the full year, which is worth about GBP8 million or 2 basis points of margin to Quilter Investors; and a mix effect as a greater proportion of funds moved into Cirilium Active.

The strength in the Quilter Investors margin over the last couple of years has been a function of a concentration of assets within Cirilium. We always anticipated that this benefit would be transient. So we've now seen the margin normalize as we have guided. As we diversify our multi-asset solutions and broaden out our propositions to build a more diversified larger business, I anticipate that Quilter Investors will settle and be in a mid-40s to low-50s margin business, similar to where it was back in 2015 to 2017.

But as Paul said earlier, one of the impact of the COVID environment has been clients deciding to move into lower all-in cost solutions such as our Cirilium Blend combined with MPS solutions, a bit faster than we anticipated. And that's one of the reasons we've added WealthSelect to our restricted adviser matrix. It is a natural destination for money that can frame more economic alternative to our full Cirilium Active solution.

Putting this altogether, at the Group level, with the green dotted line, you can see the modest decline in the Group margin that I mentioned earlier. So to summarize the moving parts, the non-repetition of last year's provision release took 1 basis point of the Group margin and asset mix shifts in Quilter Investors and Quilter International, both reduced the Group margin around 1 basis points, each.

So now let's look at what that meant for revenues in more detail. This slide sets out the year-on-year walk in Group revenues. So working from left to right, you can see the uplift from our advice acquisitions, principally Lighthouse. Next, the mix shift in Quilter Investors, Quilter International and the Quilter Investment Platform delivered about a net GBP7 million of revenue drag. Then I've highlighted both markets and other revenue impact.

We experienced lower average AuMA in Quilter Cheviot due to lower equity markets this year and the second half of 2019 outflows that were still within the comparative prior-year average. There were also impacts on other revenues within Quilter International where better persistency resulted in reduced early encashment charges compared to 2019. Foreign exchange volatility also resulted in translation impacts when comparing period to period movements. Together these reduced revenues by about GBP14 million versus 2019.

Finally, the platform price reposition in April reduced revenues by about GBP2 million in the first half. This was a strategic decision to help make our new platform, a compelling proposition for advisors and their clients, and as you all have seen, persistency in net platform flows were up in the first half.

So things are progressing in line with our expectations. And in summary, we continue to expect a gentle decline in the Group revenue margin driven by mix shifts in Quilter Investors and the transition to modern product structures in Quilter International.

Our focus of course is on growing revenue given that broader industry margin trends are likely to result in downward revenue margin pressure over time. We also expect our integrated business model to provide some support here.

One final point in other revenues, which I flagged previously, we are expecting a temporary headwind from the mortgage and protection business in Quilter Financial Planning in the second half. We hope that the Chancellor's efforts to stimulate the housing market will mean that this is only a short-term impact. But it generally takes a while for this activity to result in revenue generation.

Let's now turn to the cost side of the equation. Our total cost base of GBP264 million in the first half of 2020 was up GBP5 million on last year. Important contributors to that were the Lighthouse and other acquisitions, which added GBP12 million, including integration and restructuring costs, the FSCS levy of around GBP12 million, which was about GBP4 million higher than the prior period, and as I mentioned earlier, we had to absorb the Quilter Life Assurance stranded costs and dual London property costs, which added around GBP7 million.

In addition, we expect COVID to add about GBP5 million to costs this year. We spent around GBP2 million in the first half, principally on support arrangements and additional equipment to enable staff to work from home and we expect a drag of around GBP3 million relative to our expectations at the start of the year from deferring certain planned staff reductions to the second half of the year. These were largely offset by our optimization program, with this time a year ago, we had delivered actual optimization benefits of GBP4 million. In the first half of 2020, that figure was GBP14 million against a 2018 cost base, which has resulted in incremental in-period benefits of around GBP10 million.

Now the eagle-eyed among you will have noticed that the first half benefit from optimization in 2020 is only GBP2 million higher than the run rate benefit we exited 2019. That is slightly lower than we expected at this stage because of the deferral of certain optimization initiatives as I have already mentioned.

Finally, you can also see the benefits of our tactical initiatives to save GBP15 million over the course of the year, with a benefit of half of that achieved in the first six months of 2020. So, we reduced the cost base by around GBP25 million against where we would have been without optimization and other management actions. And notably, underlying costs, excluding acquisitions were down again year-on-year.

To help you when it comes to thinking about the full year 2020 cost base, let me remind you how our thinking has evolved since the beginning of the year. You'll recall that we exited 2019 with a continuing cost base of GBP530 million. In other words that figure excluded Quilter Life Assurance. From that base, we began 2020 with a full-year contribution from Lighthouse and the need to absorb QLA stranded costs, which took us to a starting base of around GBP550 million.

Back in March, I then said that there were other usual ins and outs such as normal cost inflation, the incremental London property costs and expectations of a higher FSCS levy. I said, we expected these to be largely, but not fully, offset by further cost reductions from the optimization program. Most of you took that to ensure that I was targeting a cost base in the high-550s to low-560s area, which was a reasonable assumption, then COVID hit.

And given the revenue impact, we clearly had to recalibrate the cost outlook. So with the first quarter update, I told you that we intended to remove approximately GBP50 million of discretionary spend from the business. About two-thirds of that will come from a lower staff bonus accrual. The remainder is from reduced spend on travel, entertainment, marketing and project development spend. That's took the cost base expectations down to around GBP530 million. This GBP30 million is not a permanent reduction. Indeed, we'd expect some of it to return in 2021 assuming we have a better revenue environment.

Perhaps, given that we still expect revenue headwinds in the second half, we are continuing to focus intensely on our costs. So we are now targeting a full-year cost to be a touch below the annualized first half level assuming that markets remain broadly stable. And my caveat here is deliberate. If we have much better markets in the second half and that drives better revenues, then we might spend a bit more in some areas. So if we do see a better revenue environment, you should expect a slightly higher cost outturn.

It is too early to be more specific on 2021 costs at this stage. But assuming stable markets, we continue to target a 2 percentage point improvement in 2021 operating margin of the 2020 outturn reflecting the benefit of our optimization program, which is very much on track.

Now, let me turn to our balance sheet, starting with the major movements in solvency ratio, which are all straightforward this half. We began the year with a ratio of just over 220%.The main contributor to the decline to just below 200% at the end of June, has been the capital return program, which reduces the ratio by around 16 percentage points, and our platform transformation and optimization costs have taken about 3 percentage points of the ratio. The interim dividend will reduce the ratio further by 2 percentage points.

Finally, having completed our review of the Lighthouse British Steel Pension Scheme DB to DC transfer, we have increased our provision here to GBP24 million, which takes 2 percentage points of the ratio. This is net of a prudent estimate of what we will be able to claim under Lighthouse's professional indemnity insurance and expect a tax relief. We continue to work closely with the FCA to deliver good customer outcomes here.

Next, let me touch on the cash position, which not surprisingly shows a broadly similar picture. You'll recall that we ended 2019 with GBP815 million in cash across our holding companies. Up to the end of June, we had spent just under GBP100 million on our capital return program and the final dividend of GBP64 million.

You will note that we injected a bit more cash into subsidiaries than we received from dividends and remittances. Normally, we expect that to be the other way around. But given the market volatility and focus on capital in regulated entities, we deliberately held back from upstream in some of the capital that we would have done in normal market circumstances to give a bit of a buffer in volatile markets.

We were left with around GBP570 million of cash in the bank at the end of June. There still about GBP320 million to return to our capital return program and other costs including the remaining PTP costs that Paul mentioned. After all that is spent, we will be back to around the GBP250 million of cash that we indicated at the full year.

As you know. we kicked off our GBP375 million buyback program, after the full year results, and we said then the program is subject to staged Board and regulatory approvals. Our first approval was for a GBP50 million tranche, plus our Odd-lot Offer. Both of these were completed by early June.

We spent GBP50 million to acquire 43.2 million shares at an average price of 116p on the buyback. And we shrank our register by around 45% by spending GBP21 million on the Odd-lot offer at an average price of 120p per share. We received regulatory approval for a second tranche of the buyback of GBP125 million in mid June. So we have given Goldman Sachs authority to conduct a further GBP75 million buyback and to close of business on Thursday 6, August at least just over a third of that. When this is complete, the Board will review progress and if appropriate authorize the remaining GBP50 million of this tranche of the buyback.

You'll be familiar with this slide, it's our current guidance and updates. You'll note that the only principal change from what we've said previously is the dividend guidance. Yes, as Paul has already mentioned, the Board is deferring a decision on the 2020 pay-out ratio until the full year results.

So in summary, from me, I am pleased with the financial performance of the company so far in 2020. And let me remind you of my key messages. The business is in good shape. We are on top of and managing everything that is in our control. The change in revenue margins is broadly as anticipated and we're offsetting it with the levers we can pull, driving volumes and reducing costs.

Costs are well controlled and having delivered a strong performance here in the first half, I expect us to do even better in the second. And our balance sheet remains in good shape with our GBP375 million share buyback program on track. What all of that means is that, assuming broadly stable markets, we expect our cost plans to offset expected revenue headwinds in the second half.

And with that, let me hand back to Paul.

Paul Feeney {BIO 17570862 <GO>}

Thanks, Mark. So what's our focus for the second half? First, in turbulent times like these, we want Quilter, our advisers and investment managers to be right there to support and guide our clients, so they are not left to deal with the uncertainties alone.

On top of that, we've got four things we're going to deliver. We're going to substantially complete our Platform Transformation Programme. We're going to finish integrating the acquisitions we made last year. We're going to improve operating leverage by delivering our optimization initiatives. And particularly for shareholders, subject to the staged regulatory and Board approval process, we will continue with our share buyback program to return GBP375 million to our owners.

The environment is uncertain. Markets are volatile, and nobody knows how this pandemic will play out. But it's at times like these that clients, advisers and colleagues need a trusted partner and Quilter aims to be that partner.

And with that, we will now take your questions. We'll open the phone lines first. You may experience a short pause while we connect everybody through it.

Questions And Answers

Operator

Our first question comes from the line of Andrew Sinclair from Bank of America. Please go ahead.

Q - Andrew Sinclair {BIO 21847791 <GO>}

Thanks, and good morning, everyone. Three from me as usual. Firstly just on advisor headcount, which is basically flat year-to-date. I totally get that it's a challenging backdrop in the last few months, but that's about a year now that headcounts barely moved. I just wonder if you could give us some color on the outlook and plans to get back to growth. I think I've said few times in the past, I think some medium-term targets would be super helpful here.

Secondly, on dividend and buyback, just really wondered if you can give any color kind of when you're thinking for the full year about balance between the dividends and buyback? Would you be tempted to use some of the extra liquidity to stabilize the dividend, particularly from when I'm thinking about the timing to complete that buyback? Or should we think of the buyback and dividend, cash just being completely separate?

And thirdly was just on Quilter Investors. Bambos Hambi, a pretty big name hire. Just really wondered if we should be thinking about any particular changes strategy-wise with the change of Quilter Investors' CEO and has that resulted in any one-off boost to flows? Those three from me, thanks.

A - Paul Feeney {BIO 17570862 <GO>}

Okay. Thanks, Andy, it's Paul Feeney. I'll just say a couple of words on the headcount in restricted financial planners, and then I'm going to hand over to Steve Gazard who is our newly appointed Chief Executive of Quilter Financial Planning, he'll provide a bit more color on that. The dividend and buyback, that is definitely in Mark's territories, I'm going to hand that over to Mark. And then I'll come back and talk about Bambos.

So very quickly. We actually hired 106 financial planners -- restricted financial planners during the period, which I think is quite a pretty good achievement during a complete lockdown where we couldn't meet any of them really or very few of them face-to-face. But on a net basis that turned out as a handful positive.

But Steve, do you want to?

A - Stephen Gazard {BIO 21784069 <GO>}

Yes. So I think, morning. It's fair to say that, we've shifted our focus a bit. So generically, our focus has shifted to working with the productivity metrics of our existing population. Clearly, we've grown rapidly over the recent years through acquisition and organic growth. Our focus has been far more on organic growth that's been tough during lockdown, as Paul has implied. Actually our pipeline for that is strong at the moment, and we hope a number of those kind of come to fruition as we kind of ease out of lockdown.

But at the same time, what we've been doing, particularly in our network environment has been working with those advisors who are at the lower end of the productivity spectrum to either help them increase that or exit them from the business. So that's why the net number is where it is. But flip side of that is, we're beginning to see the cohorts come through the Financial Adviser School, so we have 34 land through that. So again that's a good place for us to continue our focus on organic growth going forward.

A - Paul Feeney {BIO 17570862 <GO>}

Okay. Thank you, Steve. Divi and buyback, balance between the two, whether we should think about them separately, Mark?

A - Mark Satchel {BIO 18275874 <GO>}

Yes. So Andy, we pretty much have viewed the two of those independently in our sort of current assessments of this half year, but increasingly, I think as we get through more of the buyback and we step up the dividend prospects or everything else, I'm expecting that myself and then Paul in the Board will be -- can consider them more on a integrated basis, but signature dates that hasn't been the case.

We've got a stated dividend policy. I gave quite a lot of guidance previously on how I think about capital and capital returns to our shareholders and we haven't deviated from that. And I think as you'd expect, any Board, I think, to be doing, they'll be assessing both the dividend and the buyback aspect in the rounds as we progress with those. And if appropriate, we'll take decisions on the more commingled basis rather than necessarily as a separate basis. But we are at the moment in a strong balance sheet situation with a lot of cash on board and we are committed to returning that to the shareholders over the next little while. But both the buyback and dividend obviously remains subject to ongoing Board considerations.

A - Paul Feeney {BIO 17570862 <GO>}

And then Quilter Investors, yes, Bambos is a great hire for us. I know Bambos well. We've worked together in the past -- I and Bambos before. So, but probably one of the biggest names in the multi-manager, multi-asset world in the UK. I think he was voted number one multi-manager last year. I think it's a tribute to what we've built in Quilter Investors that Bambos -- someone of Bambos' character wants to come and join us and to lead that business into the next stage of its development. So we'll have to wait when he arrives. Obviously, he's going to be a leader and mentor to the investment team. I know that one of the themes that Bambos is very close to his heart is ESG and sustainability. But we've hired Bambos to help us move to the -- as I say, to the next stage of our development. We've built a great business, great capabilities with great investors in Quilter Investors and we've now just managed to attract one of the best investors, multi-manager investors in the market to lead that business for us.

Q - Andrew Sinclair {BIO 21847791 <GO>}

Okay. Thank you.

Operator

And the next question comes from the line of Greg Simpson from Exane. Please go ahead.

Q - Greg Simpson {BIO 1498567 <GO>}

Good morning. Thank you for the presentation. Just a few questions on my side. The first would be on independent financial advisers, you mentioned advisers furloughing staff. It's a tough year for revenues, regulatory regulatory costs are up. I'm just wondering if you're seeing signs that advisers are looking to -- there is more advisers looking to exit or sell their business. If that's a trend or not, and if so, is that a potential route to -- for Quilter to grow their own RFP numbers?

And then secondly, just on the platform. Thank you for the color on the progression of the upgrade and the flows. Can I just check on the cost of the platform? Does it mean you're today paying cost to run the technology and infrastructure for two separate platforms? And if so, could you provide some color on the kind of quantum of these dual-running costs? And more broadly, once the new platform is fully live and 100% of assets are on there, do you think it will be more or less profitable in terms of margin to run the new platform versus your existing kind of in-house solution? Thank you.

A - Paul Feeney {BIO 17570862 <GO>}

Well, I'm going to take the first one on IFAs looking to sell, maybe let Steve say a word, Steve Gazard. And then I'm going to hand over to Steven Levin on the dual-running costs. But I can tell you straight away, we expect it to be more profitable when we have our new platform. That's why we're doing it, as well as mostly the service to our advisers and our clients.

So just in terms of IFAs looking to sell, look adversity brings opportunity. Obviously, we know that. It was the same last year when we had all the Brexit upheaval, it brought opportunity. And there is opportunity here. But really at the moment, as Steve says -- Steve Gazard said, our total focus is on making our business hum, really making the most of what we've got streamlining our business, focusing our business. One of the great opportunities when we get our new platform in is stemming leakage in our model. At the moment, we are leaking even with the figures that we provided this morning, we're still leaking nearly 50% of platform business to other platforms because of our existing platform can't do all the stuff that our new platform will be able to do in. And our new platform is 8 weeks-ish, 10 weeks away from getting launched. But yes, we expect that. So that's on IFAs.

On dual-running costs, Steve, would you want to say a few words on whether our new platform would be more profitable?

A - Stephen Gazard {BIO 21784069 <GO>}

Yes, I'll say a bit then really talk about the numbers, if you want to elaborate further. But there are dual-running costs. We are having those today already, but they're not material at the moment because only as 8% of the assets have been migrated with the first migration in February. When we do the next migration, they do become more material because obviously we will be migrating another 75% out of the assets to end with about 80% on the platform in -- at the second point, the second migration. And we are looking at the level of our staffing. But generally, we are not going to start reducing our headcount before we do the third migration because we want to make sure that we have got our operations in the most stronger states too to handle the period before around and then just after the migration. But all of those dual-running costs are included in the numbers that we've given you today. So, the forecast that we have given includes dual-running costs.

A - Steven Levin {BIO 18803363 <GO>}

Yes. So Greg, I probably don't have too much to add to what Stephen and Paul already said. Just to reiterate, the dual-running costs are included within the forecast that we provided. It effectively costs around GBP3 million a month for each month that we had those dual-running costs and that's the total program costs. It's not just the dual-running costs associated with it. It includes a component of those program costs, but that's effectively provided within the guidance that we updated the market on this morning on the total platform transformation costs being around about GBP200 million. So we spent just over GBP150 million. We've got about another GBP50 million to go based on the dates that we expect to get those two migrations in, and that includes components, the dual-running.

Just on the future running cost of the platform, the FNZ costs are charged differently to how we currently (Technical Difficulty) just given -- sorry, there is a bit of static over there, the ust given the nature of the charging structure that we have with FNZ. So we move on to 1 basis point charging structured tiered, we obviously don't divulge the amounts that we can charge on that given the confidentiality around those commercial arrangements. But it moves more to a sort of a more of a flexible tiered structure, which has some capital benefits for us overall, and frankly, it gives us a more manageable cost base when it comes to that predominantly around development spend.

So the actual sort of day-to-day run costs on a like-for-like basis of the new platform will be actually a little bit more expensive than what we pay today on an old clunky platform. That's where the benefit really comes through in the medium term. It will be a reduced run costs and particularly the development infrastructure and the ability for us to carry on servicing that platform, those costs come down significantly from the ones that we experienced today. So it's a little bit of a change in the mix of our underlying cost base that will come about as a consequence of that.

Q - Greg Simpson {BIO 1498567 <GO>}

Great, thank you. That's very clear. Can I just have -- can I have a quick follow-up on that? Just when you say stable markets in the presentation and release a few times. Do you mean 0% in terms of assumption or is it kind of small positive, just to check.

A - Paul Feeney {BIO 17570862 <GO>}

Well, it's -- you're probably getting down into a level of detail there, that can largely get locked in the roundings at the moment. But I mean, I am expecting -- the main thing for us is to have a stable environment where we expected the market to probably be increasing a little bit over a period of time. Nothing heroic, nothing that sort of expecting a V-shaped recovery that FTSE equivalent is back to 7,500 or anything like that. But it's certainly not something that's going to be hopping around a whole lot or something that's declining, sort of a slight and steady improvement is what I'd be referencing within that.

Q - Greg Simpson {BIO 1498567 <GO>}

Okay, thank you.

Operator

And the next question comes from the line of Jens Ehrenberg from Citi. Please go ahead.

Q - Jens Ehrenberg {BIO 20928561 <GO>}

Hi, good morning guys. Thanks very much for the update and for taking my questions. A few from my side, if I may. So obviously, the platform migration is slightly delayed, I appreciate the majority should be on platform towards the end of this year. Just that -- there seems to be quite a growth opportunity with the new platform. So just to confirm, when could new advisors actually come on the platform then? Would that be after the final migration or would that be possible before them?

The second question I had was just around, IFAs, I believe you had mentioned in the past that you have a number of IFAs within your adviser base that basically came on through acquisitions and whatnot that could potentially be converted to RFPs. Has there been any progression at this stage?

And lastly, a few on Lighthouse, and apologies if I had missed that before. Bit tricky line for me. Yes, so first of all, the DB to DC complaints, I think you've increased the impairment there a little bit. Could you give us a bit more color on that? And probably on a more positive note, I thought you have a very, very big opportunity within Lighthouse around the affinity contract. Although I imagine it might be quite tricky in the current environment with COVID to go after that. What's your view on that? Will you target that right after the completion of the integration? Yes, how do you think about that? Thank you.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, thank you, Jens. Probably, I'm going to turn over to Steven, Steven Levin for the first one on new advisory coming on the platform. On IFAs within our own adviser base converted into RFPs, I'll hand over to Steve Gazard. On Lighthouse impairment, I'm going to talk to the provision, rather I want to talk to -- hand that back to Mark. And maybe Steve Gazard can talk on potential for affiliate marketing post that. So Steven?

A - Steven Levin {BIO 18803363 <GO>}

Yes. On the new advisers, the first thing to say is that actually, I mean, given the size and age of our business, there is actually relatively few new advisors that can advice that we've never seen before, because as we've said, we've got about 8,000 adviser firms that have got business on our platform. So actually, for us the biggest opportunity is advisers who we do know and have got some business on the platform. Even if they themselves have never written that business, they are advisers as you can probably understand, acquire customers all the time, that new customers, those customers come with a history of other products they have. So we have pretty much sort of exposure to all the advisers in the market in terms of adviser firms.

What we've chosen to do is how we've picked what goes into the second migration is we've picked very carefully what groups go in there and we have put in the firms that we've identified as the core potential growth firms for us. So in my world, those are the sort of the new advisers and quotes for us, where we're getting quite a low share of their wallet at the moment, but we believe the new platform will really be able to address that.

On the -- real quick, on the technical question of an absolute new adviser who we've never ever seen before they can come onto the new platform. But as I said, practically that seldom happens because advisers are -- typically have some business from wherever, either stuff they've written off from clients that are quite already on our platform, but the growth ones are included in the next migration. So we are optimistic that we'll see benefits from that as soon as the second migration is done.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, thank you. So I'm handing over to Steve Gazard, do you want to take the point Steve on IFAs and converting to RFPs within our --

A - Stephen Gazard {BIO 21784069 <GO>}

Yes, of course, so yes, ultimately, we have got a kind of plan within our own model of converting our existing IFA population to restricted proposition. That's working well. We're ahead of plan, particularly in areas like the Lighthouse network conversion. So we're pleased with that and it's a well trodden path for us over many years of kind of acquisitions and transition and integration. As I said earlier, our focus is now really on productivity of those and ensuring that actually we are only bringing across the right ones.

With regards to affinity relationships, yes, that was always the kind of attraction of the Lighthouse International business that we saw calm down during lockdown. Inevitably, a lot of those affinity relationships and leads are generated through events, which clearly went on hold. But we're beginning to see that ease back up to the levels that it was pre-lockdown, and of course, our teams have kind of mobilized to deliver those kind of events through virtual mediums like Zoom and GoToMeeting, et cetera. So we're confident that that remains the kind of strong source of ongoing leads for us going forward.

A - Paul Feeney {BIO 17570862 <GO>}

And Jens, just on the Lighthouse DB to DC complaints, now there are going to be a few numbers here, so you just need to keep your wits about you as I walk you through this. But if you get lost along the way, I'm on page 69 of our release in note 17, we go into quite a bit of detail there and the numbers I'm going to give you now are going to be consistent with that.

So at the start -- at the end of 2019, we had made a total provision of GBP12 million for the Lighthouse redress, which was really just the cohorts of Lighthouse DB to DC pension scheme members on which we had actually received complaints.That GBP12 million was split GBP9 million of redress and GBP3 million of the costs that we estimated would be incurred at that particular point in time. Now we at the time, I noted, and I think I was very clear on this, that I expected that provision to go up. We report it as a contingent liability and I made numerous references to that during the presentations at the time.

We have increased in gross terms the GBP12 million provision to GBP29 million which still includes GBP3 million of costs, and GBP26 million of redress, so the GBP9 million of redress increased to GBP26 million, the GBP3 million of costs stayed the same. That's because what we've done is we've extrapolated that now over the entire cohort of Lighthouse DB to DC British Steel Pension Scheme cases on which advice was provided. So it includes 266 cases, not all of those will have redress applicable to them. But what we've done is we've included that as the full cohort of that population. Then against that, I have taken a very prudent assessment of what we expect our PI recovery to be.

Now, I'm sure you'd appreciate that the accounting recognition of a receivable and liability have different criteria applied to them, and given where we are in going through all of this. Given that we haven't actually made any redress payments yet, we are in very good and close collaboration with our PI insurers, but have been cautious in terms of the amount of recoverable that I think we will receive from that which is GBP3 million and we also get tax relief to the tune of around about GBP2 million of the provision at that level. So that takes the GBP29 million down to a net position of GBP24 million. Of that GBP24 million, GBP19 million has been booked against the Lighthouse acquisition balance sheet, so it predominantly impacts goodwill, that's where it all goes to, and GBP5 million has been taken as an IFRS P&L charge in the current period. And the difference between what that 5 million represents is the change in redress amounts estimated has been payable between our point of acquisition and now. So clearly the acquisition activity or the pre-acquisition activity in relation to this can go to the acquisition balance sheet, any change in circumstances. a redress payment would come through the P&L, which is what we've done over there.

Now, that provision might still go up or down depending on the PI recovery that we do make on it and depending on market movements and some of the other factors like discount rates and things like that and we've provided some sensitivity within the actual accounts in terms of how that -- you might think about that moving based on some of those factors. Because when we actually make the redress payments, that is when the calculation gets performed. So at the moment, we got the best estimates based on current markets. But the redress payments, if there is any made in six months' time and the markets have gone up, we'll get a credit. If the markets have gone down further, we will need to increase the provision. So that's the way you need to think about it. I hope that that provides all of the clarity and apologies for the long detail around it. But hopefully you found that useful.

Operator

(Operator Instructions) Our next question comes from the line of Gurjit Kambo from JPMorgan. Please go ahead.

Q - Gurjit Kambo {BIO 6300383 <GO>}

Hi, good morning everybody. Thanks for the presentation. I have three questions. Firstly in terms of the migration, you've done, so the 8% of assets under administration that already moved over, any sort of commentary around how that's gone sort of retention rates around those assets will be helpful?

Secondly, in terms of the movement in advisers from growth to sort of net, the advisers have left. You know, have a left because of competition? Or have you sort of reduced that because maybe some of the underperformance is getting a sense of why the advisers have sort of left the platform?

And then finally, just Mark, very sort of quick one. On the Quilter Investment Platform, there is a negative other revenue of minus 2. I know it's a small number, but I just wanted to know why it was sort of a negative number rather than a positive? So those are the three questions.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, thank you, Gurjit. Well, I'm handing over obviously to Steven Levin to give you some commentary on the 8% migration. But I think, I know Steven can talk about those firms that are using our new platform and what their experiences.

A - Steven Levin {BIO 18803363 <GO>}

Yes, absolutely. So yes, the feedback from the firms and we've sort of given some data has from a flows perspective have been very good. We've seen net client cash flow from those firms increase and we provided some numbers in the detail of the report, so more than half of them have increased in net kind of cash flow over the prior year. We had some firms in that cohort that actually were in net outflow before they migrated and they've turned around to being in net inflow.

So actually that feedback has been really good. But there have been some learnings that we've had, and that was the entire point. So we have made some tweaks and improvements to some of the processes, which has been, from the feedback we had from adviser firms, don't think anything massively material there, but things and we are still very grateful for the support and feedback from some of them in areas that we can and have been able to make some further improvements in things like some of the correspondence and we were a little bit away how some of the model portfolios work. But actually the feedback from firms has been really good and we're pleased with the results.

The whole point of doing this phased migration was to be able to do it big enough that we could see everything working in the real world, but sort of small enough such that if there were any issues we could absolutely handle them. And I think we've -- we're very pleased with the results that we've had from the first migration.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, so good. Second question was advisers gross to net. We've hired about 106. We're standing at about 1,108 [ph] restricted financial planners, so on a net basis there is a handful more. So -- and Steve Gazard, do you want to just take up what's the --

A - Stephen Gazard {BIO 21784069 <GO>}

Yes, mixture of natural attrition in that space that we'd expect, but also some of our focus on that kind of low producer population and encouraging those either to kind of increase their productivity through our support or exit.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, and then Gurjit, into the detail on the other revenue line on the platform, look, that one historically, something it was plus 2 last year and it's minus 2 this year. That one will pick up some of the sort of more esoteric revenue movements, and in particular, there'll be interest income in the last year, which given the reduced rates this year, means that we don't have the same sort of buoyancy on that. So we're pretty much starting the year at a flat position. The reason why it's a slight negative is on a particular cohort of trades, you have a five-day settlement period. And with the extreme market volatility that we saw over the back end of February and beginning of March period, we had some breakage costs that we needed to incur on that. So that's effectively what's coming through there.

Q - Gurjit Kambo {BIO 6300383 <GO>}

Okay, great. Thank you very much.

Operator

As there are no further phone questions, I'll hand it back for web questions.

A - John-Paul Crutchley {BIO 1911497 <GO>}

We have a -- a few questions have come in on the website. So let me just call those out and then we can deal with those. The first is from Ben Bathurst with RBC. He has two questions. The first is, at the Q1 stage, you highlighted transfers out from the platforms in competitors were lower. And I wondered to what extent that has continued to be a factor in the flows in the second quarter?

And then the second part of his question is, are you seeing any signs of the crisis creating greater disruption to smaller scale providers that might mean you can be opportunistic in terms of bolt-on deals in the aftermath and has this played any part in your more cautious approach for the first half dividend?

A - Mark Satchel {BIO 18275874 <GO>}

Okay. Sorry. Well, I'll pass to Steven Levin on lower outflows in the platform market. And then I'll take the second one in terms of opportunities.

A - Steven Levin {BIO 18803363 <GO>}

Okay. Thanks, Paul. Yes, So what we have seen in the first quarter and the second quarter, and particularly, in the second quarter, after the lockdown, I mean, the markets really started getting volatile, we've seen outflows fall off quite dramatically. We actually look at and monitor and track outflows on looking at outflows directly to clients. In other words, clients taking their maniac [ph] and pension drawdowns, all of those things. Cash to client bank accounts and then transfers to competitors, both have fallen off the. The transfers out to competitors I think has been -- we've been very pleased with the way we've performed throughout the lockdown period and the support that we've given to customers and advisers. I think some other companies have struggled and that may have sort of supported sort of a slowdown. But we have seen that I think across the industry, that less businesses being moved away and moved around.

In terms of client outflows, what we did see, particularly in the second quarter was, clients after the markets fell, actually phoning us and reducing their pensions and payment and these are on the flexible drawdown type plans, which was sort of good and sensible practice. Advisers advice clients to keep a portion of cash several months with the cash and sort of emergency cash in the savings account, for exactly like times like this and we saw that sort of behavior and that did lead to a reduction in client-led outflows is starting to ease up a little bit as markets are a bit more stable, but not actually back to sort of former levels at all. So that is disappointing.

A - Paul Feeney {BIO 17570862 <GO>}

Okay. Hi, Ben. It's Paul Feeney. In terms of, will there be opportunities in the financial adviser market with this disruption? Certainly there are opportunities. But the type of -- our focus really at the moment, as I said, is on integrating our acquisitions, stemming leakage from our model, which is the by far the biggest way we increased productivity. And quite frankly, even if there were a few smaller opportunities, that has absolutely no impact on our dividend.

So the reason we've been more cautious on our dividend is simply that we are not through this COVID crisis yet and we were not saying that we anticipate there is going to be really stormy seas ahead. We just don't know. However, we will know by the end of the year, what the year has turned out like and it just seems prudent and sensible for our Board -- clearly Mark and I are members of the Board -- for our Board to take a prudent view on the interim. And now, the final dividend the Board could -- all these uncertainties on the downside don't materialize, the Board could of course take a -- to pay a final dividend outside the top of the range. But the total dividend will be within the range, so it's simply that. It's -- we are at a situation whereby we have a prudent company, we're a prudent Board and a prudent Executive Management team and it's simply that it's nothing to do with the fact that we need capital for acquisitions or anything else. We've got plenty of capital.

A - John-Paul Crutchley {BIO 1911497 <GO>}

I think we had a further question on the lines, can we hand back to the lines?

Operator

We have a follow-up question from the line of Andrew Sinclair from Bank of America. Please go ahead.

Q - Andrew Sinclair {BIO 21847791 <GO>}

Hi, guys. Just a quick one from me. It was just on the Financial Adviser School. Just wondered if you gave us an update on how many people are now in the Financial Adviser School and how many new students you're expecting to take in over the next 6 to 12 months? Thanks.

A - Paul Feeney {BIO 17570862 <GO>}

Okay, I'll hand over to Steve, Steve Gazard. But I think we've got about 148 going to the School at the moment. I think we've had about 300 sign up in this crisis to test -- to check out whether this is for them.

A - Stephen Gazard {BIO 21784069 <GO>}

Yes, I don't need to add. Yes. So I mean, we have 34 [ph] who have come through that so far this year. We've got another 31 [ph] applications in process and actually what we've done, as Paul alluded to, as well as the kind of 100-plus that we already have in that kind of process, we opened up elements of the Financial Adviser School free of charge to the kind of public market during lockdown, which we had a great response to.

Q - Andrew Sinclair {BIO 21847791 <GO>}

Thank you.

A - John-Paul Crutchley {BIO 1911497 <GO>}

Okay. I'll pick up another web question before we go back to see if there is more from the lines. There is two questions from Rahim Karim at Liberum, which has slightly been touched on, but I'll read them out, anyway. The first is, you mentioned the learnings from advisers migrated in stage one of them migration, can you elaborate what they were? And then the second question is on the second stage of migration, i.e., the 75% of assets, is this expected to be done over one weekend or over a phased basis over the remainder of the second half of 2020? Can you provide any color behind the decision to go this way?

A - Paul Feeney {BIO 17570862 <GO>}

Okay. Well, I think these are both for Steven Levin. So the first one is what specific learnings were there from the migration? And secondly will we be doing the second migration over a weekend or phasing over a longer period?

A - Steven Levin {BIO 18803363 <GO>}

Yes. So, in terms of the specific learnings, I've said, there were some things around correspondence where we've made some tweaks to the correspondent, sometimes about the frequency of something that we've been sending out. There has also been some feedback on the way model portfolio rebalancing was -- is handled and also how that sort of queuing of trades were. So we made various tweaks just to make the system a little bit easier for advisers to sort of put things in on key transactions, et cetera. So that's been sort of the major -- the main areas.

In terms of the migration, the migration will still take place over a weekend. It always does. And in fact, as we said before, there is actually generally only sort of one weekend each month that we would do the migration, because one of the complexities of the migration is actually to deal with what's called inflight transactions. And if you just work through how it switches, particularly our work on a platform is you have to wait for this, there is a sell-lag and a buy-lag and you have to wait for the settlement of them, so switches and especially on some funds which we'll keep as [ph] post settlements, switches can sort of take eight days to work through the system and lots of other transactions take at least four days to work through the transactions. So what we look to do because if you start transactions on one system, you have to finish it on the other, that is very complicated. So we look to minimize those, so to time the migration, to avoid the period in the month, which is the debit order run and the pension payment run and things like that. So it's always done over a weekend and it's normally done at the weekend that will give rise to the least number of inflight transactions, which is the best possible sort of operational time to do it.

A - John-Paul Crutchley {BIO 1911497 <GO>}

Okay. And just on the decision behind how we're doing migration, Steven, is it all in go? [ph]

A - Steven Levin {BIO 18803363 <GO>}

Yes, all in one go.

A - Paul Feeney {BIO 17570862 <GO>}

(Multiple Speakers)

A - Steven Levin {BIO 18803363 <GO>}

Yes, it is over a one weekend, each migration. Yes.

A - John-Paul Crutchley {BIO 1911497 <GO>}

Okay. The final question that's come through on the web from not says from who, but anyway, so -- and it's on adviser productivity is, as you've spoken about improving adviser productivity, what specific metrics do you look at here to measure this? And can you provide some detail of these as future KPIs?

A - Paul Feeney {BIO 17570862 <GO>}

Okay, I'll hand over to Steve in a moment, but we look at our own adviser productivity purely on the basis of per adviser, how much of that flow comes to Quilter. So if one of our advisers put 50% with Quilter into our investments and they put 50% with elsewhere, we'd only look at productivity on the basis that comes to us. So the biggest opportunity we have in Quilter is stemming that leakage and capturing of far higher proportion of adviser productivity.

But, Steve, is there any other things that we are going to bring [ph] out?

A - Stephen Gazard {BIO 21784069 <GO>}

I mean, I think clearly the advice business we're looking at gross productivity as well as that, so yes, increasing their gross productivity as to the general amount that they're providing. But yes, absolutely our key metric is about the capture of that kind of leakage at the moment and that integrated flows.

A - John-Paul Crutchley {BIO 1911497 <GO>}

Okay. I think that's it from the web. Any last calls coming through on the lines?

Operator

There are no further questions on the phone.

A - John-Paul Crutchley {BIO 1911497 <GO>}

Okay, I'll then hand back to you Paul just to say a few closing words.

A - Paul Feeney {BIO 17570862 <GO>}

Well, thank you everybody, first of all. I know it's been somewhat different this year. I'm sure you've attended a number of these already. Look, we're very pleased with how we've delivered in the first half for our clients, for our advisers, our staff, and of course, for our owners. We believe it's a good set of results. We are of course, as you know, a prudent team and therefore our guidance is prudent and -- but we believe this company is so well positioned in a secular -- high secular growth market. Some of the huge transformational things that we've been doing, we've been delayed by a matter of a couple of months, but we'll still get them done. So by the end of this year, we will be in an incredible place to deliver into 2021.

So thank you for all your support. Thank you for your listening in and your questions this morning. And then we'll keep delivering for you.

A - Mark Satchel {BIO 18275874 <GO>}

Thank you.

Operator

This now concludes our conference call. Thank you all for attending. You may now disconnect your lines.