Y 2020 Earnings Call

Company Participants

- Andrew Croft, Chief Executive Officer
- Craig Gentle, Chief Financial Officer
- Ian Gascoigne, Managing Director
- Peter Edwards, Director Establishment
- Robert Gardner, Director, Investment Management

Other Participants

- Analyst
- Andrew Baker
- Andrew Crean
- Andrew Sinclair
- Ashik Musaddi
- Colm Kelly
- David McCann
- Gregory Simpson
- Jon Hocking
- Steven Haywood

Presentation

Andrew Croft {BIO 5711239 <GO>}

Good morning. I hope you're keeping safe and well. Given the ongoing pandemic, today's presentation has been pre-recorded, and we'll be hosting a live Q&A at 9:20 a.m. This morning's meeting will be in three sections. Firstly, a review of 2020, then a focus on the future before I provide a brief summary. It goes without saying that 2020 was an extraordinary year for individuals, businesses and society. Our lives have been disrupted and we've all needed to adapt, come to terms with social distancing and had to embrace technology. Our people together the Board of St. James's Place Community have worked commendably, in the most trying of circumstances. They have demonstrated once again the core values and behaviors that we hold there. So I'd like to start by thanking them all for their hard work, dedication and commitment.

Operationally, the performance of the business during 2020 was inevitably disrupted. However, St. James's Place demonstrated real resilience, supported by our recent major investment in technology, together with the agility of our advisors and employees. And let's just reflect on that operational performance for a moment. Gross inflows of GBP14.3 billion, net inflows of GBP8.2 billion, equivalent to 7% of opening funds under management, which ended the year up 11% at a record GBP129.3 billion. The business continued to grow during a period of social distancing and lockdown. And given these unprecedented challenging conditions throughout the year, we are naturally very pleased with the results announced this morning. And Craig will cover these results in a moment. But before I hand over to him, some comments on other 2020 developments.

Firstly, I welcome Paul Manduca to the Board, as a Chair designate. Paul brings a wealth of experience and expertise to the Board, and I look forward to working with him in the years ahead. Paul is replacing Iain Cornish, who steps down at the AGM after nearly 10 years on the Board and the last 2.5 years as Chair. On behalf of the shareholders and the SJP community a big thank you to Iain for his vibes and valuable counsel during his time on the Board and as Chair. And on a personal note, I'd like to add my gratitude for the support Iain provided to me as I took on the role as CEO. In addition, I thank Patience Wheatcroft who after nine years on the Board is also stepping down at the AGM. Patience has made a huge contribution to the Board over those years.

Secondly, the Partnership. At the start of the pandemic, we were sensitive to the fact that in the face of a challenging external environment financial advisors across the UK will have quite rightly being focused on supporting their existing clients and keeping their businesses secure. We therefore chose to slow the rate of experienced recruitment activity. We also made changes to our Academy programs, pausing new intakes during the early period of the pandemic and we moved all existing cohorts of students to virtual learning environments. Despite these changes, the Partnership grew by 1.6% during the year to 4,338 advisors. I'm pleased to report that both the recruitment of experienced advisors and new Academy intakes have now restarted as we get back to building the Partnership.

Our partners reacted with remarkable agility to ensure that they have been able to engage with clients despite the challenges presented by social distancing. Whilst physical face-to-face meetings were restricted, partners and clients embraced technology by making greater use of digital channels including webinars, videos conferencing and social media. Partners are not only able to provide relevant and valuable information at a difficult and uncertain time but also maintain the personal touch and provide emotional support. Face-to-face advice embracing modern technology, a feature that work for both clients and partners alike. And whilst the Zoom will never fully replace physical meetings, video meetings are a feature that has been welcomed by clients and are here to stay.

Given the continued first-rate financial and non-financial support provided by the partnership throughout the pandemic, it is therefore no wonder that they and St. James's Place continue to win a host of awards. The highlight was once again being voted by clients as Wealth Manager of the Year in the city of London awards for the sixth successive year. Proving our clients value the advice, and service they receive.

Turning now to our investment proposition. 2020 was an extraordinary period for investment markets with the first half of the year in particular characterized by extreme volatility as markets reacted to the escalating global COVID-19 pandemic. Against this backdrop, the return of our portfolios proved resilient helping to keep our clients on track towards their long-term financial goals.

We continue to evolve our investment proposition with a number of changes to our fund range and investment managers. During the year, we strengthened our global equity offering through the redesign of our global quality fund and evolved our fixed income range to provide greater diversification through increased exposure to emerging market credit. 2020 also saw the appointment of some new managers with Somerset Capital Management, Pzena Investment Management, Sanders Capital, Artisan Partners and BlueBay Asset Management, all appointed to manage specific investment strategies. These developments will help to future-proof our investment proposition and ensure we continue to offer compelling investment strategies to our clients.

It is also important that we continue to meet changing client needs. And in the recognition of the growing number of clients in retirement, we have recently launched an initiative of range of funds designed to provide investment solutions around the challenge of the accumulation. Our three in retirement funds are market-leading offerings that allow clients with the guidance of their advisor to map out their objectives and find a suitable investment solution that is able to support a specific withdrawal profile according to their specific needs.

Moving on to technology. Having completed the smooth migration of all of our core UK business to the new Bluedoor administration platform in 2019, during 2020, we safely decommissioned the legacy systems and completed the significant task of implementing salesforce across the Partnership. Salesforce together with Bluedoor provides a modern technology ecosystem. And during 2021, we will be focusing on maximizing the use of the features available. The investment in technology that we have made over the years has already served the business well, providing us with a much greater degree of operational resilience through the pandemic. It has been key to enabling the rapid deployment of complimentary functionality to better service the partnership and clients during lockdown.

We aspire to be a leading responsible business, one that demonstrates positive social impact from our core business activities. It was therefore a really proud moment when SJP achieved the Business In The Community - Community Mark, one of only 37 companies worldwide who currently enjoy this status. One of our key values is to give back to those who are less fortunate to the work of the St. James's Place Charitable Foundation.

The pandemic had a significant impact on the charity sector, with many fundraising events cancelled. This made it a tough year for the Foundation, but I'm delighted that our community still raised a fantastic GBP9 million which enabled the foundation to provide more than GBP10.5 million of grants to support many great causes through a difficult year. We were also able to advance future commitments and allow restricted funds to be used for unrestricted purposes. We also recognized our responsibility as a steward of some 130 billion to have the positive impacts on the world around us. So, I'm pleased to report that all 39 of our external fund management houses are now signatories to the United Nations Principles for Responsible Investment.

We've also progressed our client disclosures around responsible investing with the launch of our quarterly Portfolio Carbon Emissions Reports. This level of transparency helps us, advisers and clients consider how the carbon footprint of our portfolio compares to equivalent benchmarks. In 2020, we also joined the Net Zero Asset Owners Alliance, making public our commitment that all our investment portfolios will be carbon neutral by 2050, excellent progress. Despite the disruption and distraction of COVID-19, we continued with our five-year business planning cycle and we're able to factor in the lessons we have learned from navigating the pandemic.

More about this later, but for now I hand you over to Craig to run through the robust financial performance.

Craig Gentle {BIO 20095126 <GO>}

Thanks, Andrew. And good morning, and welcome from me. I think like many, I've run out of words to describe 2020. And so I won't dig deep for anymore. Instead, I'll go straight into the results for the year. But as Andrews said I'll come back after he's explained our 2025 planning cycle and let you know what assumptions you should have in mind for your models going forward. The order of my presentation will be a familiar one. Firstly, I'll give a quick recap on flows, funds under management and the Partnership, then I'll run through the cash results and the embedded value results. Following which I'll cover solvency and the dividend announcements that we've made this morning.

Turning then to gross inflows, which for 2020 stood up GBP14.3 billion, which is equal to 12% of our opening funds under management. This is a very strong outcome, and the Partnership responded magnificently to the challenges posed. It's critical though that we don't just focused solely on new business, because retaining investment is absolutely key to adding long-term value and again the Partnership put in an enormous effort to successfully support clients throughout the year. This is reflected in net inflows of GBP8.2 billion which is 7% of opening funds under management.

I'll come onto the markets in a moment, but the fact that funds under management grew by 11% is a clear indication of the strength of the business model and the momentum that we consistently sustained overtime. The number of advisors in the partnership grew from 4,271 to 4,338. For obvious reasons growth plans were interrupted but it's worth stating that we come out of the crisis with a bigger Partnership that we had at the onset, but it's not all about scale. The experience of 2020 has made the Partnership even better equipped to succeed and continue to deliver this momentum.

Turning now to the financial results. I'll start with some observations about the cash result which in total grew 11% in 2020. Firstly, net income from funds under management increased by 7% to GBP455.9 million in spite of the shape of the markets. The average margin on mature funds behind this was approximately 63 burps, which is in line with the guidance that we've given previously. As you know, growth in letting come from funds under management comes from net new ICE revenues unit trust investments made during the year but also the maturing of bonds and pension business from gestation. This maturity for the year help to drive growth even though the market dip worked against income.

Funds and gestation now amount to GBP43.4 billion which means that using market values at the end of December by 2026 net income from funds will benefit from additional income of some GMP370 million. It's also worth noting that costs associated with administering funds in gestation are already included in the margin and elsewhere within our cost base. So, this additional income comes with no additional associated cost. It's this consistent maturing of funds together with new business going into the hopper that will deliver operating leverage in the future. The mountain arising on new business of GBP116.8 million has been very consistent with the result that we saw in the first half and includes the impact of some fixed cost gearing that emerges when volumes are lower than in the prior year and vice versa.

Turning to expenses, establishment expenses were very much in line with the guidance I gave last July. I'm going to come back after Andrew's next piece to explain how they will evolve in the future, but it's worth reminding you that our cost base which is largely people, property and technology-related has generally increased in line with the scale of the business in the past. Scale is perhaps best seen in the context of the number of advisers together with their professional support staff, but we must also remember the need to navigate the additional complexity and cost involved in running a successful advice business where we take the responsibility for advice and manufacturing risk as well as wider regulatory compliance.

By making sure that we have an infrastructure designed and executed to protect all of these areas, we are able to stand behind the advice guarantee that is so important to clients, and keep clients, partners and shareholders safe. We've continued to invest significantly in a range of well-known technology related programs ranging from sales force, which is giving us a leading edge CRM system through to DocuSign, Qwil and Capture, all of which have supported smooth operations and facilitated growth in the most challenging lockdown conditions. We've also re-platformed over 2,500 partner business websites to enable more dynamic content and optimization in search engine rankings.

All of these costs are reflected in operational and strategic developments, and the total costs for the year are in line with the July guidance. In order to simplify our cash result presentation, we'll be combining these two lines into one strategic and operational developments heading from the half year onwards. What area during the pandemic where our learning has been significant is in the Academy, what was almost an exclusively physical experience is now a blend of virtual and physical learning and development. And we see this as a permanent and progressive change that will give us broader reach and greater scalability in the future, which is an exciting development given the increasing importance that the Academy will have in the future. Lower costs for the year reflect the temporary pause in the period between the first lockdown and the reformatted kick start during the summer.

I'd now like to turn to our investments in Asia and DFM both of which have of course experience the same trading conditions as the Group as a whole. The overall picture for both is one of income growth coupled with cost control. In Asia, we now have funds under management of GBP1.2 billion and more than half of this has the same cash emergence profile as the UK business and currently sits within gestation. It will of course therefore contribute to the Asia results as it matures. Asia contributed at breakeven result to the embedded value in 2020 and will become cash positive by 2025. We remain excited about this asset for the future.

In DFM, we now have over GBP2.9 billion of funds under management and that's 3% up on last year. During 2020, we took the next step of aligning DFM and stock broking services with the overall SJP investment management approach and we've made it easier for partners to create the spoke investment outcomes for clients. It's this sort of alignment that will drive DFM growth in the future and deliver on our plan for DFM net investment to breakeven by 2024.

Taking all of this into account and of course other items including the FSCS Levy, our underlying cash result was GBP264.7 million, which is 3% lower than for 2019, and a very strong outcome given markets and operating conditions. Our total cash result is 11% higher for 2020, GBP254.7 million, and this of course reflects a much lower back office infrastructure charge, now that all of our UK products are on Bluedoor and that legacy systems have been successfully decommissioned.

I will now turn briefly to EV, which continues to be a good measure as to how the overall economic value of the business has grown over the year. The resilience of the business in challenging circumstances reflected in the new business contribution being only 3% down at GBP766 million compared to 2019. And at the end of the year, the EV net asset value per share stood at GBP14.49 compared to a share price of around GBP12.30.

I've little to update you on regarding capital as our approach in the UK life company remains the same at 110% of the standard formula which given the simplicity of the business and the resiliency in risk profile remains prudent. That leads to a combined life company's solvency ratio of 112% at the year-end.

Finally on dividends, we've made a number of announcements regarding dividends this morning, and I'll deal with two matters now and the forward-looking guidance a little later. Firstly, we announced the decision to pay the 11.22 pence per share that we retained from 2019 dividend. As we said at the time the decision to retain this amount was a prudent response to a number of very challenging potential scenarios that could have materialized. These scenarios which were considered at the point of greatest uncertainty have not played out and the business has shown resilience throughout. The Board that for -- no longer sees the need to continue with this retention and the amount will be paid as an interim dividend on the 31st of March. Having not paid an interim at the half year, we also announced today a proposed final dividend in respect of 2020 of 38.49 pence per share. This is clearly lower than the total amount payable in respect of 2019, but it reflects a lower underlying cash results and it's 78% payout ratio, which is broadly in line with past guidance.

So that's about it on the 2020 outcome, but as I said at the outset, I'll be back shortly to talk about the future. And so I'll now hand back to Andrew.

Andrew Croft {BIO 5711239 <GO>}

Thank you, Craig. As I said earlier, given the unprecedented external environment, a very resilient and robust set of results, which we are naturally pleased with. I mentioned in my opening remarks, we continued with our five-year business planning cycle. I'm now going to spend some time on this topic. And let me start with a couple of really important business model confirmations. St. James's Place is an organic growth business and this will remain the case. We do not see value to material M&A activity and we'll forever be conscious of indigestion by trying to do too much too quickly. And secondly, we are a people business with strong bonds throughout our community. And change where it may be required is best achieved through evolution and not revolution.

Now let's reflect on the market in which we operate and you would have heard us talk many times over the years about the supply and demand dynamics of the financial advice market. We remain convinced that the demand for trusted advice is as strong as ever and we are excited about the growth prospects ahead of us. Total UK retail wealth remains large and growing. We know people are living longer which together with the demise of defined benefit pension schemes we requires individuals to take responsibility for their own retirement income and long-term care or find a trusted advisor to help them.

We also know that 87% of total UK personal wealth is concentrated in the hands of those over the age of 45, very much our target market. This highlights the extent of future asset accumulation and the size of opportunity that intergenerational wealth transfer presents. And let's not forget, we live in an interconnected world with complex tax regulations and an increasing tax burden. Individuals must navigate these challenges to protect and build their savings over the long-term either alone or as I said earlier with a trusted advisor to help them.

All these factors may planning for one's financial future difficult enough already, but adding to that, we have been and remain in an era of essentially non-existent return on cash savings. Interest rates are unlikely to increase anytime soon. Some argue that there is the prospect of negative interest rates. Yet savers still need to protect their nest eggs for the future. And as an aside, it's not just financial benefits that advice provides for clients, but there are also significant none-financial benefits too. And we were delighted to have recently worked with the International Longevity Center in preparing their 2020 report that explored the none-financial benefits of financial advice. Their work found that people who take advice are more confident about their financial future and better prepared for retirement and that advice improves financial literacy, confidence and delivers greater control, reassurance and peace of mind. All these factors support our view that the demand for trusted face-to-face advice is as strong as ever.

Financial advice has an important part to play in helping to close the UK savings gap, estimated be more than GBP300 billion today and projected to grow to GBP350 billion by 2050. As the clear market leader in financial advice, we are well placed. What's financial advice has an important part to play in helping to build the UK savings gap? There was also a recognized advice gap. We've just some 33,000 qualified advisers in the UK. This is half the number of advisers per capita than in both the US and Australia. Quite simply there is an insufficient supply of qualified financial advisors in the UK.

This is a double-edged sword. On the one hand, it dampens competition in the financial advice market, but on the other hand it limits the pool of recruiting experienced advisors to the Partnership. However, we believe our proposition for advisors and clients is stronger than ever. So we remain confident in our ability to attract advisers of the highest caliber to our community. And with both the recruitment of experienced advisors and new Academy intakes having now restarted, we will be getting back to building the Partnership in 2021, and expect a recovery in growth in adviser numbers by around 3% to 5% for the year.

Looking further ahead, the external market of experienced advisors has not been growing materially. And taking account of the average age of these advisors, we expect overall numbers to reduce in coming years. Consequently, the importance of the Academy will continue to increase. And it's therefore pleasing that we started the year with 244 students in our Academy and we expect to see a further 350 new entrants to financial advice join the academy this year in one form or another.

Supporting and developing the Partnership will continue to be critical to our success over time and we're pleased to have made further progress in 2020. In addition to adapting our professional development programs to accommodate virtual engagement, we invested in technology and process improvements to make it easier for our advisors to engage with clients and manage their own businesses. As I said earlier our collaboration with salesforce gathered pace throughout the year, and we now have a leading scalable technology infrastructure that will further benefit all stakeholders in the years ahead. We believe there is considerable potential for further growth in partner productivity in the coming years by both making us easier to do business with and by supporting our partners to help them further grow their businesses. So a growing need for financial advice, whilst at the same time the country faces an advice gap. This means we are excited about our future growth prospects.

When considering the sheer scale of our flows today and looking forward over five years, we think now is the time to recalibrate our growth ambitions. And we believe, we can achieve growth in new business of around 10% per annum going forward. Although there will of course be years when it is better or perhaps behind this medium-term target. Achieving this growth ambition whilst maintaining our very strong retention rates together with modest growth in the investment markets, will see funds under management in excess of GBP200 billion by the end of 2025. And as a stretch ambition, you may have seen that at our recent annual company meeting I threw down the (inaudible) to St. James's Place to actually double funds under management over the next five years to more than GBP250 billion.

While we will continue to invest in the business to support our continued growth and maintain our market leading position, the technological foundations that we have put in place over the last few years provide us with greater operating flexibility and efficiency, such that our expense growth going forward will be around 5% per annum. The combination of these planning assumptions together with the continuing increase in the cash emergence from those funds in gestation will provide for strong growth in the underlying cash result over the coming years.

And from 2021, the dividend payout ratio will be set at 70% of this underlying cash result. This takes account to three factors: an increasing capital requirement with the growth in funds under management, other business investment needs, and the influence of growth together with the changing business mix. As you will hear from Craig in a moment this last point has an impact on the timing of when distributable profits emerge in the life company. So, strong future growth in the underlying cash result, which will translate into strong future shareholder return.

I'm now going to hand you back to Craig.

Craig Gentle {BIO 20095126 <GO>}

Thanks, Andrew. So, let me pick up on a number of points following on from what you've just heard. And let's start with growth. As Andrew explained, he set the goal of exceeding GBP200 billion of funds under management over the next five years. Clearly the markets need to play an important part in achieving this, but there are a number of things that we can control to achieve this objective. These include continued future growth in the partnership and investments in technology and processes that will make it easier to do business and increase productivity. Both will help us achieve the aim of growing gross flows at the rate of 10% a year over our planning period. This rate of growth is broadly consistent with the numbers that many of you are currently using in your models.

As part of our planning process, we've also reassessed the way in which we'll use our resources in the future. In the past, we've had a headcounts intensive approach to growing operational capacity. This has supported exceptional consistent and safe growth over the years, but our investment in core systems and technology means that our future use of resources will involve much lower growth in people related costs and much more focused on technology and smarter processes. And all of this to support our face-to-face advice model.

The journey we've planned for the next five years is defined within a very clear financial envelope. The net result is that we will be able to contain our overall cost increase in the controllable operating cost base to no more than 5%. And we're defining this as all costs within our cash results other than FSCS and regulatory fees and the back-office infrastructure costs that have now ceased. Behind the headline 5% figure, the makeup will be far more technology driven and this change in approach will become more pronounced over time. We set out the impact on this slide.

In 2021, you should assume that establishment expenses will be held flat. We've already taken steps towards our plans to achieve this including a restructuring exercise the cost of which will be approximately GBP9 million in our cash results, and this will be separately disclosed as a one-off non-recurring charge in 2021. Operational and strategic development costs in 2021 will grow by around 25% which will reflect a re-purposing of resources away from establishment expenses towards technology and process investment. Academy costs will increase by 15% and technology will enable us to achieve greater reach and intensity.

So, to recap taking all of this into account for 2021, we're planning on an increase of around 5% in our total controllable cost base together with a separate one off below the line charge of GBP9 million. For 2022 and beyond you should also assume a 5% increase rather than the 10% that features in many of your models. A sizable portion of our operating cost base will continue to be in support of future growth and over the coming months we will provide more granularity and share with you the nature of our cost base. There is in the back of the slide deck a guidance summary which sets out this 2021 guidance on costs and other relevant information for you to consider in your models.

I'll turn now to dividends. Andrew has already commented on the changing business mix with pensions and investment bonds now representing over 70% of our total new business flows. We consider this to be a structural shift for the purposes of our planning time frame. You might recall that the DAC and DIR adjustments within the IFRS rules requires part of the margin arising on new business for investment bonds and pensions to be deferred and recognized over the first six years, even though the cash has been received, this isn't new. But in the short to medium term as we continue to grow our gross inflows the accumulated effect of this mismatch in our planning horizon will result in emerging cash exceeding the available IFRS distributable profits.

This is of course only a temporary timing difference, but given the dynamic of cash earnings, emerging faster than distributable profit, we will be moving to a payout ratio of around 70% of the underlying cash results starting in 2021 in order to accommodate the mismatch. This will provide a certain and sustainable payout ratio throughout and beyond our planning horizon as well as catering for the longer-term timing effect to IFRS it will of course enable us to continue investing in the business to support future growth.

Finally, you'll have also seen that we're simplifying our approach to interim dividends. Whereby we'll take a purely formulaic approach to calculating the payments and these will be set at an amount equal to 30% of the prior year total dividend. For 2021 however, you need to remember to exclude the payments of the 2019, 11.22 pence per share from your models.

Well, that's it and I'll now hand back to Andrew for his final comments.

Andrew Croft {BIO 5711239 <GO>}

Thank you, Craig. So some final words from me. 2020 was a year like no other, and we are now approaching the anniversary of the first lockdown. Whilst our operations and performance during the year were inevitably disrupted in the most challenging of conditions, our communities performed admirably to deliver another robust set of results. A summary of which you can see on this slide. It was a tough year and had we been offered this outcome at the start of the pandemic then we would have embraced it with open arms. I am immensely proud of how the whole of the SJP community adapted to the rapidly changing conditions. Supporting clients, one another and the wider society.

Now aside from navigating and managing through the pandemic, we also made progress across many fronts and continue to consider our five-year planning cycle, the outputs we have shared with you today. Whilst there is nothing fundamentally changing with the business strategy, you will note that we've included a Capital Markets Day within the 2021 investor calendar. We believe shareholders would value further insight into the Partnership, the development of Asia in Rowan Dartington, the roadmap for our technology investment, how we use our resources and business efficiency.

What will 2021 bring? While we're not yet operating in normal trading conditions and there is a challenging external environment. However, we and the Partnership are in good shape for whatever market conditions we face. In the near term whilst we're encouraged by the moderate growth we have seen in the early weeks of 2021, the external environment does remain challenging. There remain difficult months ahead but as COVID-19 restrictions ease, we are hopeful there will be an economic recovery and we will see a return to more normal growth in client investments.

Beyond the pandemic, we remain very excited about our growth prospects, achievement of our planning assumptions would see St. James's Place continue to deliver attractive growth and boosted by the release of cash from funds in gestation, significant growth in the dividend.

Thank you for watching. And as a reminder, we will be hosting a live Q&A at 9:20 a.m.

Questions And Answers

Operator

(Question And Answer)

A - Andrew Croft {BIO 5711239 <GO>}

Good morning, everyone, and thank you for joining today's Q&A. Look, it's a shame, we can't get together, but hopefully we'll be able to do so at the next set of results. I'm also conscious, a reasonably large number of you will need to join the AXA call at 10:00 a.m. So we will sort of call an end to the Q&A. Then clearly, you know where we are, if you have any other questions.

Now one advantage of doing a virtual Q&A is that we have the whole of the executive team on the call, which provides me with some great optionality for all those difficult questions. So let's go right now to the first question, please Ruby.

Operator

Absolutely. Our first question is from David McCann of Numis. Your line is now open. Please go ahead.

Q - David McCann {BIO 15885639 <GO>}

Good morning, everyone. Thanks guys for taking my question. And yeah sure. I'll have the usual analyst free, if that's okay. Just to kick off firstly in terms of the new guidance around the cost growth. I mean, can you give us some specific -- articulate some specific actions that are actually taken to reduce the cost base, the cost growth to that new lower level. Just I guess to -- if you get some composite material change from the client? And that's question one.

Question two relates to what confidence do you have? This isn't going to negatively impact in some way on rent, and partner, servicing? Obviously, you're not growing cost as much? And then finally, the third question on new target, you got to collect (inaudible) in Asia.

I mean, can you say kind of what some of the management growth you require to get to those kind of breakeven targets. Those are how much is predicated on continuing to develop business is quite strongly and how much factors? And also do I guess a follow-up part of that, this is might be fourth questions really to get to those breakeven, you're talking about 2024, 2025, is that kind of -- should we assume that's going to linear through the life from where we are now or it's backend loaded to get to that breakeven one? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. I'll take our Asia question in a moment, but perhaps hand over to Craig to talk about the costs and how are we going to achieve the 5%?

A - Craig Gentle {BIO 20095126 <GO>}

Yes. I said David, what you're describing is what we're calling the financial envelope that we're going to be working within over the next five years as we pursue that plan. As with all the plans, there is a need for a kick start and the kick start is happening in the form of a review that we're in the process of doing and completing at the moment and you'll have seen that there are a number of roles that we've put at risk. (Technical Difficulty)

If the establishments expenses that you're familiar with flat and then the amount that we would typically grow establishment expenses by will be redeployed into other areas of growth and that's principally investment in technology and smarter processes. The question of how we will go about doing it. I think we've got a reasonable track record of staying what we're going to do and then doing it. I think my answer is that over the next five years, the Executive Board as a whole has set itself this financial envelope to work with them and therefore, that's what we will do. I know there's a follow-up to this question. Andrew, I don't know, who you wanted to do cover?

A - Andrew Croft {BIO 5711239 <GO>}

Yes. So this is the confidence that we runt impact partners and that's a very good question David and absolutely key that we have to continue with servicing. If that's the right word partners and clients and we're very confident that we can do that within the financial envelope.

To answer your RD and Asia question, and there's a couple of bits in there. So firstly for your modeling, I would just do linear. The numbers, we'll put the end up being slightly different than that, but I think linear will be fine for your model. I also said in my presentation, which I'm sure you watched this morning that we will do a Capital Markets Day later in May and that we do recover our RD and Asia in a bit more detail. There's clearly two levers to that improving result, one is the income and the other is expenses and we would expect the income to grow faster than the group 10% but we're not factoring in any way massively heroic assumptions there and I think the other important point on Asia in particular David, is that about half of the funds under management are in the six-year gestation period. So though will naturally we start generating income in future years, and that's why we couldn't see the trajectory to sort of cash profit 2025. So I think Ruby, we go to the next question, please.

Operator

Absolutely. Our next question is from Jon Hocking of Morgan Stanley. Your line is now open. Please go ahead.

Q - Jon Hocking {BIO 2163183 <GO>}

Hi, good morning, everybody. Three questions please. Firstly, can you comment about what your assumptions are in terms of advisory growth going forward? Historically, we've had the some stuff to 8% trajectory, I think COVID has interrupted that somewhat. So what are you receiving out to 2025 in terms of the growth and advisors?

Then secondly, just in terms of the admin cost burden. In the scope of these plans, are you planning on pushing back any of the admin burden to the partners? Is there something specific transfer, giving Bluedoor's efficiencies and on that front particularly?

A - Andrew Croft {BIO 5711239 <GO>}

I might take the second question first. I think you're saying are we passing some admin costs to the partner and I think partners? And the answer there is quite simply is no. That model is not changing and in terms on the assumptions around advisor group. I want to just come back to this is what we're trying to do is grow the business by 10% per annum and there's a whole host of believers. We can operate within their -- there's experienced recruitment, which was on hold last year and we've now restarted as a graduations from the academy, they're supporting our partners to grow their business as making it easier to do business with. So I don't want to give a specific breakdown of the 10% but it will be using each of those levers and then we're very confident that we can do that. Ian, I don't know whether you want to add anything?

A - Ian Gascoigne {BIO 4439479 <GO>}

No, I think you're right there these the range of leavers and strategies we have within the group means that we were confident of the 10% and that ranges from recruiting experienced advisors. As Andy says, developing our own academy, increasing the efficiency and productivity of our existing advisors and we've taken -- we're increasing our spend on learning and development and the impact there particularly on partners in their first five years. So it's a range of strategies and we're confident of achieving the same.

Q - Jon Hocking {BIO 2163183 <GO>}

Any particular change from the past?

A - Andrew Croft {BIO 5711239 <GO>}

No, we will continue to do exactly what we've done in the past, and there's some years that we might have a higher advisor growth than other years, but it is a whole host of pulling different levers. And I'm not sure whether we've totally answered your admin question or not. So I might just see, if Craig wants to?

Q - Jon Hocking {BIO 2163183 <GO>}

Yes, it's more whether there's -- whether you're transferring any responsibilities to the advisors, given that they can do small things through self-service or encourage their clients do things for yourself service rather than actually recharging the overhead?

A - Andrew Croft {BIO 5711239 <GO>}

I think Jon, the way -- it's Craig here, by the way, so I think the way to think about this is that if we can have better systems and smarter processes, it benefits everyone. So what the 2025 plan involves is finding different and better ways of doing things. Now, you mentioned Bluedoor and over the next planning periods, we see Bluedoor as quite a significant enabler because it enables us to build those smarter processes and IT supported systems around it.

So it's certainly not the case of transferring activity back and forth but it's changing the way in which that activity is carried out and if that can benefit SJP as a business and it benefits the partner business, that that's a win-win situation and that's really what we're pitching for over the next period of time.

Q - Jon Hocking {BIO 2163183 <GO>}

Okay, thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Jon. Can we have next question please, Ruby?

Operator

Absolutely, that is from Andrew Sinclair of Bank of America. Your line is now open. Please go ahead.

Q - Andrew Sinclair {BIO 3232978 <GO>}

Excellent, and good morning, everyone. Three from me if that's okay. Firstly, just on -- you talked about the gross inflows, but St. James is no much more mature business coming up for 30 years old. How do you think about retention rates over your planned period as its customers age, take retirement and how do you think of changes and retention rates in your GBP200 billion, GBP250 billion AUM target?

Secondly is that you talked about moderate growth over the early weeks of Q1. Just wondered if you could give us a bit more color about how we should think about that? Is that actual growth in gross flows year-on-year? I guess that's a pretty tough Q1 comp last year or is that just leading indicators?

And thirdly, was I realized just perhaps looking a long time out. But as you look beyond 2025, if the business mix stays as it is and as business matures, thinking about the IFRS profit element as well and retained earnings. Do you think you still stay at 70%, you think that can increase again or how should we think about beyond 2020?

A - Andrew Croft {BIO 5711239 <GO>}

Okay, thank you. Thank you, Andrew. I'll let Craig answer the questions through in a moment and are perhaps trying to deal with the first two. So what moderate growth? Well, I think firstly it's important to remember that the comparative is a pre-pandemic comparator. So, we're comparing pre-pandemic with still being in lockdown and moderate, it's obviously greater than zero and I would probably say, less than 10 and perhaps back to something in the middle there, something along those lines, but that that's what I would do in your models at this particular point in time.

In terms of retention, we're not expecting any -- will change in those retention statistics when we look across the entire population of our clients. What we are seeing and have been for a while is just people actually reducing their regular income withdrawals some of that would be because of lockdown and there's a lot more planning around intergenerational planning as well. So some of the some of the Pension funds with us for instance will probably pass through people's estates and stay with us for another 50 years. So, we're not expecting to see any change in the retention rates.

And then I'll hand over to Craig on the IFRS point.

A - Craig Gentle {BIO 20095126 <GO>}

Yeah, I don't see any change as we are at the moment when we last put together five year plan, you gave back to 2015, this was something that didn't need to be featured in the plans that we made because of the way in which the balances were made up because of stocks of profits and in different places. It's come onto the scene for the next five years. And what we're doing here is rather than do an emergency stop anywhere. We're sort of anticipating how this is likely to evolve in the future and it's really important to have in mind that the core assumption here is growth and its growth that drives that behavior within a deferred income balance because you're constantly moving more into the future than you're gathering up from the past.

So it is just a timing difference but the 70% sees us very, very safely through the planning horizon that we have at the moment and at this stage, anticipate anything that would significantly change that once we get to the end of that planning horizon, but it is all dependent on the scale of growth. And again, just to emphasize it's one of those odd balances that grows where growth is sharper, but certainly what we're putting forward now is a five-year at least sustainable approach to group distributions.

A - Andrew Croft {BIO 5711239 <GO>}

Yes, sustainable and certain. Could we have the --

Q - Andrew Sinclair {BIO 3232978 <GO>}

Thank you very much.

A - Andrew Croft {BIO 5711239 <GO>}

Next question, please. Ruby.

Operator

Absolutely. Our next question is from Ashik Musaddi of JPMorgan. Your line is now open. Please go ahead.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Thank you and good morning, Andy, Craig. Just a couple of questions. So first of all, now you have a new growth outlook of 10% going forward. I mean what is giving you enough confidence on this 10% growth outlook? Is it like a mix of partnership and productivity or is it like any better outlook for macro? And would you say that, it could still be 15% just because there is the visibility is low that's why you are -- you have gone to a 10% outlook rather than 15% to 20% that you had in the past? So that's the first one. Or it's something structurally changed in the business to go to 10% versus 15% to 20%?

The second one would be around the payout ratio. Again, I mean you mentioned, I mean clearly again going back to the previous question there is something to do with IFRS deferral, et cetera, versus the cash profit. So that would still mean that you will be accumulating cash over the next five years because you don't need more than that because if there is no back office infrastructure cost, then there's not much of leakage between underlying and net cash results.

So what do you plan to do with that extra cash, you might not be able to pay it out there all you just want to preserve it because of IFRS mutable profits, but what are your other plans for that remaining 30%?

A - Andrew Croft {BIO 5711239 <GO>}

Yes. Okay. Thank you, Ashik. I'm probably going to go straight to Craig to answer the second question because it sort of continues from Andrew's question just now. So Craig?

A - Craig Gentle {BIO 20095126 <GO>}

So I think you're absolutely right. But the impact of having these IFRS deferrals is that you accumulate cash in an entity and the one thing you can't do with that cash is distribute it because it has two to wait in the queue for distribution as it were. Now the fact is that this is cash that's over time will accumulate in the life company. And therefore, you have to think quite carefully about what you can and what you can't do with it. The way we use this

-- the sort of data that we've used in our planning assumptions. We've taken a pretty cautious approach.

So, we haven't made any bold assumptions about what we will or what we won't be able to do with that cash. But the reality is over time as it becomes a more meaningful figure, there probably will be things that we can do with that put it to good use within the group. But what I would say is that if for whatever reason whatever reason, and I can't think of the reason. But if for whatever reason, we couldn't put it to good use that would not in any way affect the payout ratio that we've calculated. But it's one of those things that over time we will be working on. And one of our priorities will be to as I say put it to good use.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Craig. And just coming back to your first question, Ashik. The 10% growth on the size of the close-up that we're doing now is still really, really attractive growth. But there is just a sheer scale point. We remain confident that we can do that for those levers that we talked about just now, recruitment experienced advisors, academy graduations, helping partners and supporting partners grow their businesses.

And underlying all of that, and as I said in the presentation this morning, is all those market dynamics of a growing market, growing need for advice, intergenerational transfer of wealth, low interest rates not going anywhere. So yeah, we're confident about the 10% and it's not going to be 10% every year, some years it might be higher than that, other years it might be lower than that. But over a five-year time horizon that feels definitely achievable. Could we have the next question then please, Ruby?

Operator

Absolutely. Our next question is from Colm Kelly of UBS. Your line is now open. Please go ahead.

Q - Colm Kelly {BIO 19140684 <GO>}

Yeah, thanks very much for taking my questions. First on the expense growth of 5%, that's very good guidance on that today. You indicate that there will be GBP9 million of restructuring cost this year. As opposed as you looked forward and lower and the growth in the operating expense base, is it likely that it's still going to take further restructuring cost over a couple of years. As you say it, it's technology-driven and I know you continue to invest in technology and automation side of the business in order to drive cost efficiencies. So is it sensible to assume that will be maybe some more restructuring cost there and beyond 2021 in relation to this?

And the second question is in relation to the timing mismatch between cash and the distributable profit. So again, very sensible guidance here. I suppose even based on a 70% pay-out ratio on the dividend, there's likely to be some years where the dividend will be higher than the IFRS process may require, dipping into the distributive of reserve.

So I assume within your plan, you've allowed for that, you're happy to dip into the self of the typical reserve, where needed to support our payout ratio. Or is there any ambition to keep distributable reserves anyway stable?

And then just lastly related to that. Again related to a similar question earlier. I mean based on your modeling, is there a timeframe at which the IFRS profit is expected to catch up with the cash results? I appreciate it may not be in the next five year plan, but based on your modeling, do you have a real timeframe from what you think this issue goes away? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Yeah. Thank you, Colm. And I'm now going to pass both those questions over to Craig.

A - Craig Gentle {BIO 20095126 <GO>}

Okay. So on the expense growth, yeah, I've -- I mentioned this this morning a restructuring charge that we'll see in the cash result. As I say, any business will always be contemplating change in the way it delivers, what it delivers and the way it uses its resources. But am I at this stage contemplating a further restructuring cost of this size that I think the answer is no, but there will be a constant level of activity within the business as we always reassessed what it is we need for the future and what we need to change from the past but I think I use the expression in an earlier question kick start. I think what this restructuring charge will represent is the kick start to a new plan going forward for the next five years. So my anticipation of this stage at this stage will be that to the extent, we have additional costs coming through on change that will just be absorbed into the operational cost base.

On the payout ratio, it's always complicated Colm as you know. Because you're looking at the distributable profits at a statutory entity level and there are one or two of those statutory entities that are quite complicated because of the IFRS accounting rules. But the modeling that we've done anticipates that this payout ratio will be sustainable through the emergence of cash backed profits over the next five years.

So that's very much the basis on which it has been done. You talked about convergence. You've probably already seen some convergence. Because one of the things that people will pick up on is the fact that we tend to focus very heavily on underlying cash for all the right reasons, but we have also had the Bluedoor costs going through below the line. And of course, IFRS is agnostic as to whether it's below or above any line. It just goes through as an IFRS cost. So, you will already see operating cost convergence as a result of the completion of that program.

Other than that, it's actually quite difficult other than through complex reconciliation to see the relationship between IFRS and the cash result because of so many other things that represent accounting changes rather than changes you expect as a result of commercial activity, but I have but I think you will probably see more congruence in the future than you've seen in the past.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay. Thank you, Craig.

A - Andrew Croft {BIO 5711239 <GO>}

Can we have next question please, Ruby?

Operator

Absolutely. Our next question is from Andrew Crean of Autonomous. Your line is now open. Please go ahead.

Q - Andrew Crean {BIO 16513202 <GO>}

Good morning, all.

A - Andrew Croft {BIO 5711239 <GO>}

Good morning, Andrew.

Q - Andrew Crean {BIO 16513202 <GO>}

Good morning. Firstly, can you talk about the investment performance last year relative to benchmark on a weighted basis? Secondly, suppose it's once ready for do so, are you thinking of changing the executive remuneration structure because it's still very heavily guided to the embedded value, whereas every single question on this call is based on the cash earnings, which clearly more important to the market?

Thirdly. It's not -- if you grow your funds under management 10% and your expense is 5%, obviously, there's a bit of an issue about funds coming in and going out of gestation. What's the implication for that in terms of the underlying cash and earnings growth as you see it?

And one thing just for one thing just for the May Investor Day. I'd be really interested not now, but I'd be really interested then to see what the profile of productivity is on academy recruits versus experienced IFRS because clearly that's going to have an issue on how the timing picks up or has brought net flows pick up as you swing between those two?

A - Andrew Croft {BIO 5711239 <GO>}

Okay. I'm just going to pick up the second one on the executive remuneration on behalf of I guess Paul, and Remuneration Committee for moment.

We had our remuneration structure of proof by shareholders at the AGM last year. We are clearly hearing the feedback about having a little bit more around cash and stuff in the remuneration. So that will be factored into the future remuneration structure that comes back to shareholders for approval next time.

On investment performance, we've got Rob Gardener on the call. So I'm going to pass that to Rob. So over to Rob.

A - Robert Gardner {BIO 15404543 <GO>}

Yeah, good morning. Andrew, both Andrews, can you hear me? Okay?

A - Andrew Croft {BIO 5711239 <GO>}

Yes, we can hear you.

Q - Andrew Crean {BIO 16513202 <GO>}

Yeah.

A - Robert Gardner {BIO 15404543 <GO>}

Yeah. Look, So Andrew, I don't have the kind of blended bit. So I can kind of give you our portfolios which as you know 70% of our sort of flows go into our portfolios. So our most popular portfolio and this is probably the best representative was 5.03% net applicable fees. And that was the 2020 total performance. Our other popular portfolio strategic growth actually did 9% and our adventures did 7.6% and a lot of that was because we restructured our IMA with our kind of three global funds, these kind of global quality, global growth and global value and all that -- all of those three changes actually fared very well in 2020. So 5% is probably a good start.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you.

A - Robert Gardner {BIO 15404543 <GO>}

Well, I mean obviously for different clients, there's different benchmarks depending on how they did? If you took a 60/40, FTSE yields portfolio that was sort of minus 2.5%. If you took sort of MSCI World, as you know the very walls some 12.13%. I mean most of our clients have historically been benchmarked to a kind of arc what the benchmark and while we're trying to transition through is a more global outlook benchmark for our clients. But each one of those is with reference to the amount of risk the client wants to take. So, the managed portfolio is the 60-40 benchmark.

A - Andrew Croft {BIO 5711239 <GO>}

It sounds Andrew as if we might link you up with Rob for conversation at some point in the future. Craig, can I pass the underlying cash earnings question to you?

A - Craig Gentle {BIO 20095126 <GO>}

Just very briefly. I suppose most people on this call have got their own models, so they'll be able to plug in the data and come up with their own answer but I think at a high level, the way I see this is that if you can contain the cost at a lower rate than the costs were growing in the past, you get the immediate benefit of us cumulatively in any cash results over a planning period whereas if the growth in funds under management are lower, when you take into account the fact that a sizable portion of that goes through a six-year gestation period, you're not seeing any dis-benefit of a lower growth in firm. So if anything there's a potentially positive impact there, but it's probably better for me to leave people to their own models to calculate what they believe the answer would be.

Q - Andrew Crean {BIO 16513202 <GO>}

Okay. Thank you. Great. Okay. Thanks.

A - Andrew Croft {BIO 5711239 <GO>}

Thanks, Andrew. Thank you, Craig. Ruby, could we have the next question, please?

Operator

Absolutely. Our next question is from Andrew Baker of Citi. Your line is now open. Please go ahead.

Q - Andrew Baker {BIO 3694545 <GO>}

Great. Hi everyone. And thanks for taking my question. Three from me if I may. So just on the 10% slow growth. Are you able to give any expectations on time, you're expecting lower growth in 2021, and then maybe a catch up thereafter, would you see it more even?

And then secondly, on advisor productivity. So as we come out of COVID, have the forced learning for the first digital learning from the past year increased your productivity expectations going forward for your advisor base?

And then finally just on the FSCS levy. Obviously the FDA has come out with a goal of eventually redesigning the system to make the polluters pay. But do you have any sense of when any -- when these changes might actually come through and any potential benefit, if they do? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. I'll take the first question and hand over to Ian on the productivity and the FSCS to Craig. The -- I mean firstly, this is a five-year planning cycle. So the 10% is expectation of annual growth over that period. As I said in the presentation this morning, there will be some years where we exceed that that and there will be other years where we may fall short of that.

We are still in lockdown. We know we have said that we've seen moderate growth at the start of this year. But the environment still challenging until we find ourselves out of social distancing but as I said it is encouraging that we're seeing growth on last year, which was a pre-pandemic comparator and obviously the comparators get relatively easier and we will at some point hopefully being a comparator in a post pandemic world. So I got to say again, we will be in that post pandemic world with a comparator that was in a pandemic world. And therefore, that should be positive but you should see it as a five-year business planning cycle, not specific year-by-year, advisor productivity and technology and stuff, Ian?

A - Ian Gascoigne {BIO 4439479 <GO>}

Yes, Andrew, I think you may be answered the question yourself in the way you asked that. There's certainly been a massive increase in learning via the partnership and using technology as a way of interacting with clients during the COVID period. So as a face-to-face advice business, the business levels of last year are being produced with partners working from home working remotely and their clients also been in lockdown. The learnings during that period as we take those into this year with the lessening of the lockdown that the second half of the year being able to move back to a full service face-to-face service, supplemented by the learnings through the lockdown of working remotely and interacting with clients and service in the remotely, does give us confidence for productivity gains during the year.

A - Andrew Croft {BIO 5711239 <GO>}

And I'm going to pass over to Craig on the FSCS levy.

A - Craig Gentle {BIO 20095126 <GO>}

Yeah. And I think he's picked up on the language there that the Chairman of the FCA. So I think we're of the view that the FCA are very clear on where the challenge lies. Inevitably and as I think, we made very clear at our half year, we're very supportive of the idea that the polluters in the industry should pay. I'd add that by some means they need the financial strength to be able to pay as well that's very important as and when -- as to when this will actually happen and when we're going to see change, I'm afraid, I'm probably no clearer now than I was at the half-year last time we had a similar conversation but if there is a bright light on the horizon, it's the fact that our belief is that they're clear on what the challenge is and what the outcome needs to be.

A - Andrew Croft {BIO 5711239 <GO>}

Okay, thank you, Craig. And Ruby, can we go to the next question, please?

Operator

Absolutely. Our next question is from Steven Hayward of HSBC. Your line is now open. Please go ahead.

A - Andrew Croft {BIO 5711239 <GO>}

Hi, Steven.

Q - Steven Haywood {BIO 15743259 <GO>}

Hi. Good morning. Thank you very much taking questions. I've got two if you don't mind. On the Asian and DFM expenses. Now a day within the 5% growth target, are they material really and are they going to be a worry over time? And on this Asia DFM, getting to the positive cash neutral stage by 2025 or 2024 quite impressive. Can you give us the drivers of this?

And then secondly, sorry. Probably AUM by 2025 is kind of your blue sky target of GBP260 billion AUM I think you said. Can you describe the drivers you need to get to that level of AUM? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

I'm going to ask Craig to talk about Asia and DFM and they in the 5% or not?

A - Craig Gentle {BIO 20095126 <GO>}

So in short, no, because the way we see Asia and DFM is on a net investment basis. So, the goal that we've set in the planning horizon is to turn what is currently a net investment cost into breakeven and beyond as we've set out now that's not to say that they won't be cost control. There will be cost control, but the way we plan for those investments is different to the way we plan for the normal ongoing operational cost base for the business.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Craig. In terms of opportunity and stuff, Ian Gascoigne on the line. So I'll ask Ian in to come in a moment and just talk about Asia, just to pick on one of those two investments.

In terms of funds under management Steven, the target is to exceed GBP200 billion and that's doing the 10% sort of retaining the strong retention that we have with some modest market growth at the GBP250 billion as I said in my tool, it was the stretched target. That's gone that I threw down to St. James's Place. But you should very much see -- in excess of GBP200 billion as being the unstretched target if you like.

Ian, if you're still on the line, just talk about Asia for moment.

A - Ian Gascoigne {BIO 4439479 <GO>}

Yeah. Thanks, Andrew. Can you hear me?

A - Andrew Croft {BIO 5711239 <GO>}

Yes, we can hear you.

A - Ian Gascoigne {BIO 4439479 <GO>}

Thanks, Andrew. Thanks, Steven. Yeah, very briefly with really pleased with the 2020 numbers in Asia. We've seen in the release 27% growth in gross inflows, there is some good progress on reducing the net cash investment. We've got a plan out to 2025, both of those numbers continue to trend in the right direction. And we're really confident about delivering early trading in both Hong Kong and Shanghai and Singapore, and 2021 has been has been positive and we see some really good opportunities to recruit experienced people from private banks and family offices over the next few years that are going to help us deliver those numbers basically. So yeah real confidence around the delivering on them.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Ian. I'm conscious some of you are going to have to jump off in a moment, but we have two more questions I think lined up in the queue. So we will answer both those, but for those of you got to have to jump off. Thank you. Looking forward to meeting you again soon. But in the meantime, please stay safe, where to find us. But Ruby, could you go to the next question, please?

Operator

Absolutely. We have (inaudible) of Deutsche Bank. Your line is now open. Please go ahead.

Q - Analyst

Thanks Ruby. Thanks Andrew, Craig. So three questions from me. The first one, how sustainable is the 10% per annum sales growth beyond this year? Given that there's a buildup of pent-up savings particularly during COVID?

Secondly, how sustainable is the 5% per annum controllable costs growth beyond GS5 given that the staff savings from the redundancies are all near-term. And then thirdly, just looking at the academy. It feels like it's going to become a more important part of your recruitment strategy if the market for existing advisors is in the decline, but we're seeing news about other wealth managers starting their own academies or having also run them for a few years. Are you seeing any impact from that on your own academy recruitment and could this become an issue over the medium-term?

A - Andrew Croft {BIO 5711239 <GO>}

Yeah. I'm going to pass the academy question in a moment to Peter Edwards. In terms of the 10% clearly there is a five-year planning cycle, but the market dynamics are very exciting. So I am not going to sort of give a statement now, but we would expect to be able to continue to grow beyond 2025 because the market is very exciting. And in terms of the expenses, look Craig is a really mean CFO. So I'm pretty sure we can we can stick to the 5% going forward as well. But Craig, do you want to add anything on that?

A - Craig Gentle {BIO 20095126 <GO>}

I think -- this is Andrew says this is a five-year planning cycle, but I can't imagine for one minute that when the next five-year planning cycle is done. We won't be putting ourselves under pressure to make sure we take advantage of all the things that are available to us to be better at doing things more effectively because this is a win-win result. So whether it's 5%, 4%, 6% that's for the next planning cycle. But I believe this is sustainable. Yes.

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Craig. And Peter, if you want to just comment on the Academy, if you would?

A - Peter Edwards {BIO 20875780 <GO>}

Yeah. Hi, Andrew. I think that it's really interesting that all those are indeed entering this space in terms of their desire to grow their distribution. And that's not new of course, people have historically tried to grow their own say to speak. I think what makes our Academy slightly different is, we have been developing, refining and improving the Academy over a decade. And I think you referenced earlier Andrew, but a lot of the learnings that we have taken through the COVID period will in fact enhance and develop our ability to flex the intakes, some the academy allowing those to basically move away from the traditional model that we've refined for that.

I think an important question around the impact of others starting that academies on our ability to attract people, I don't believe that is the case that you think that we have a very refined model and it delivers what we required in terms of growth for our business, but it's an important thing to note that almost most 90% of people who apply to the academy are not selected to start a program, so that the bar for entry into the academy is very high. So we anticipate maintaining that high standard of entry and we have a very positive feeling about the growth from that sector in terms of manpower over the foreseeable future

A - Andrew Croft {BIO 5711239 <GO>}

Thank you, Peter. We have one final question in the queue. So Ruby, if we could take the next question, please.

Operator

Absolutely. That is from Greg Simpson of Exane. Your line is now open. Please go ahead.

Q - Gregory Simpson {BIO 18850594 <GO>}

Good morning, all. I just -- a few questions from my side. The first of this if perhaps 5% expense growth target, is that independent of those market levels, or is it something you might look to flex up or down if the equity markets are particularly strong or weak in a given year rather than the modest level you're budgeting for?

And the second question, I was wondering about the pipeline in terms of experienced recruitment, if you're seeing any increased interest from IFAs, who maybe seen the importance of having access to strong technology because of COVID19 or do you think that the academy is going to be the main growth driver of headcount growth going forward?

And then just lastly. We seem to be seeing a lot of demand at the industry level for alternative assets. Could you provide any color on how the relationship with KPIs that you talked about a few years ago is going? And if there's any scope to launch more private market funds going forward? I would guess that's something that smaller wealth managers can't offer access to their clients? Thank you.

A - Andrew Croft {BIO 5711239 <GO>}

Yes. Thank you, Greg. And I'll get Peter back in a moment on the pipeline and Rob back on the alternative. But Craig, do you want to just talk about 5% growth target again?

A - Craig Gentle {BIO 20095126 <GO>}

Yeah. I think it's fair to say what we've done here is we've set ourselves a plan or goal of financial envelope call it what you will, that we intend to stick to. So, I don't think it's the case that for example if we found, we were experiencing stellar performance on the market this year that we would feel that gives us a license to go outside of that because what this represents is a whole series of commitments that we plan to make over the coming years and their commitments in pursuit of particular outcomes, whether it'd be improved processes or new technology, so I wouldn't say gearing up or down with the markets. Other than to say that in the real world, if god forbids, there was something that really held backing come, we're no different to any other business you'd have to reassess your plans and make sure you've reprioritized based on the conditions that you find yourself in. But no, I don't I don't see any reason for stretch on this.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, Craig. And Rob, do you want to just pick up where we are with the tax front and sort of other assets and our sheer scale and what it gives us?

A - Robert Gardner {BIO 15404543 <GO>}

Yes, it's good question. So that front with (inaudible) sort of betting in and the challenge of private assets is always the sort of deployment of cash and getting the cash in the ground and I suppose just being open to other challenge is having a liquid assets in what it is in effect a liquid vehicle. The advantage we have because of our the structure of our business means that we can do that.

As we look forward to 2025, my job is to ensure that we have the capacity for GBP250 billion and actually for the next five years after that all the way through to GBP500 billion. So we are working on a liquid asset building block where we can leverage of the work that we do on that and exactly as you say the opportunity to create bespoke assets solutions that just aren't available to other players in the marketplace is the opportunity. I just want to caution the other bit which you heard from Andrew is that we've cleaned up and signed up the owners are aligned and are plan to achieve that, so it's just trying to make sure those do work in tandem.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, Rob. And Peter, just want to talk about the pipeline and sort of IFA market in general?

A - Peter Edwards {BIO 20875780 <GO>}

Yeah, thank you. So in terms of pipeline, I think the important thing to recognize but someone who is currently in advice professional other than with a St. James's Place, the journey to decide to leave where they couldn't be asked St. James's Place and in many instances can be over a significant period of time.

So part of the reason we paused recruitment in that space during the lockdowns and COVID of 2020, was to allow people to focus on their clients. However, we have remained engaged with high numbers of these people. And they are indeed very engaged with St. James's Place. There's a huge interest in joining St. James's Place from across the advice profession.

But I think again along with what I said about the academy, the selection points will be able to join the partnership is quite high which means that we take a significant period of time selecting the right people to join the partnership.

In terms of the advice landscape and certainly, the IFA marketplace, what I would say is? It doesn't look like it's going to get any easier to operate as an IFA. Indeed, the burden of responsibility on individuals and businesses looks ever more difficult. So we do have high levels of contact, high levels of interest, and we have high levels of retention of people who do make the decision to join the partnership when the time is right.

I think the confidence I have in this marketplace is that, as the Academy has grown and developed and we have increased in size and scope. The blend of experienced advisors from an IFA or total advice background along with these new joiners gives us that a correct age profile, because the profile -- the age profile in the IFA market is significantly higher than that in the academy or in the -- even the partnership.

A - Andrew Croft {BIO 5711239 <GO>}

Okay. Thank you, Peter. I'm going to call the Q&A to close now. So thank you, everyone. Thank you, Ruby for facilitating. And obviously, you have any questions then please get in contact. So, thank you again, everyone.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for joining. You may now disconnect your line.