Schroders Half Year Results

Transcript

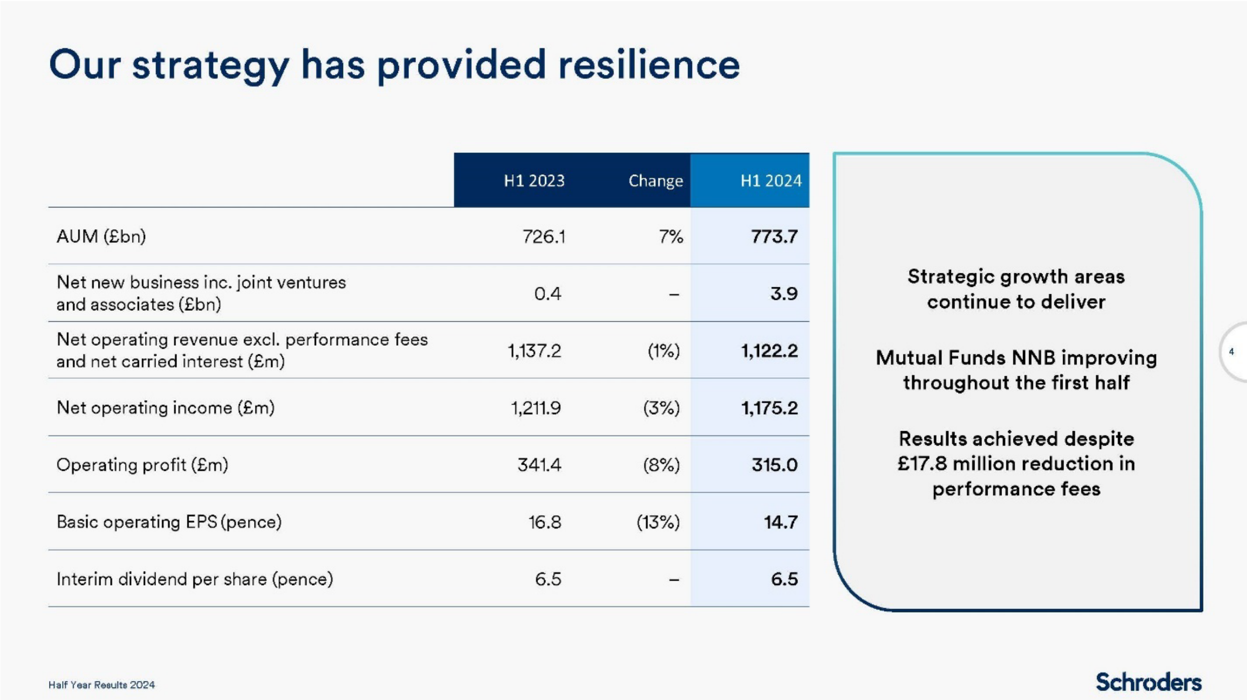
Peter Harrison (Group Chief Executive):

Morning, everyone. Welcome to the Schroders results for the first half of 2024. Thank you for joining us. I'm Peter Harrison, Group Chief Executive, and with me is Richard Oldfield, our Chief Financial Officer. As normal, I'm going to cover the business performance and strategic progress, then Richard will discuss financials before we return back to the outlook and Q&A. Please don't forget to raise your hand on Zoom if you've got any questions. I'll cover those off at the end of the presentation. So, let's begin.

Steady growth in assets validates strategic pivot

Our performance in the first half has been a real validation of our strategy, pivoting to those areas of fast flowing water that I previously talked about. We're seeing more and more opportunities to collaborate across the business, and that means we're now seeing the benefits of having a diverse set of public and private market capabilities, all under one roof. To run through the highlights, assets under management up set to a new high of £773.7 billion. Wealth Management, again, delivering excellent results with 7% advised growth. In Schroders Capital, we've seen positive net new business come from all four private market pillars. And pleasingly, we saw mutual fund net new business pick up throughout the first half with good momentum there, particularly in fixed income. We've seen a good return to asset growth in some of our JVs, particularly in China. And on the expenses front, operating expenses are down 1% year-on- year, thanks to our ongoing focus on cost discipline.

Our strategy has provided resilience



Our strategy has provided resilience

	H1 2023	Change	H1 2024
AUM (£bn)	726.1	7%	**773.7**
Net new business inc. joint ventures and associates (£bn)	0.4	–	**3.9**
Net operating revenue excl. performance fees and net carried interest (£m)	1,137.2	(1%)	**1,122.2**
Net operating income (£m)	1,211.9	(3%)	**1,175.2**
Operating profit (£m)	341.4	(8%)	**315.0**
Basic operating EPS (pence)	16.8	(13%)	**14.7**
Interim dividend per share (pence)	6.5	–	**6.5**

Strategic growth areas continue to deliver

Mutual Funds NNB improving throughout the first half

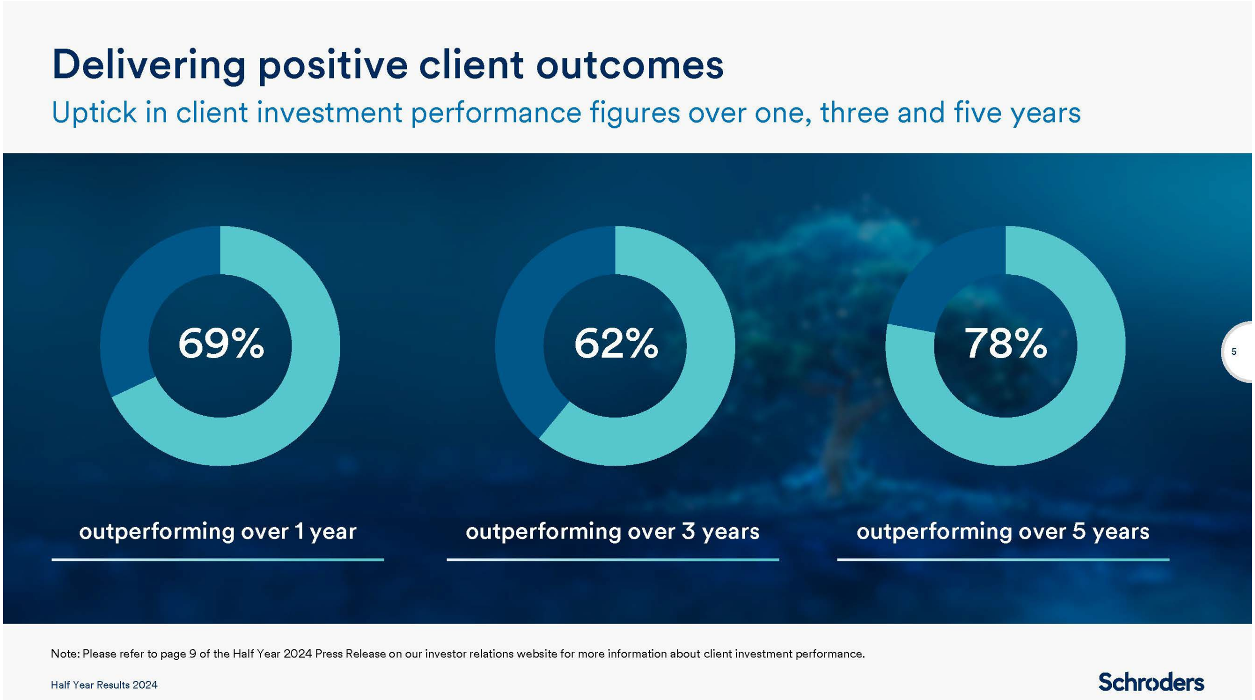
Results achieved despite £17.8 million reduction in performance fees

Half Year Results 2024

Schroders

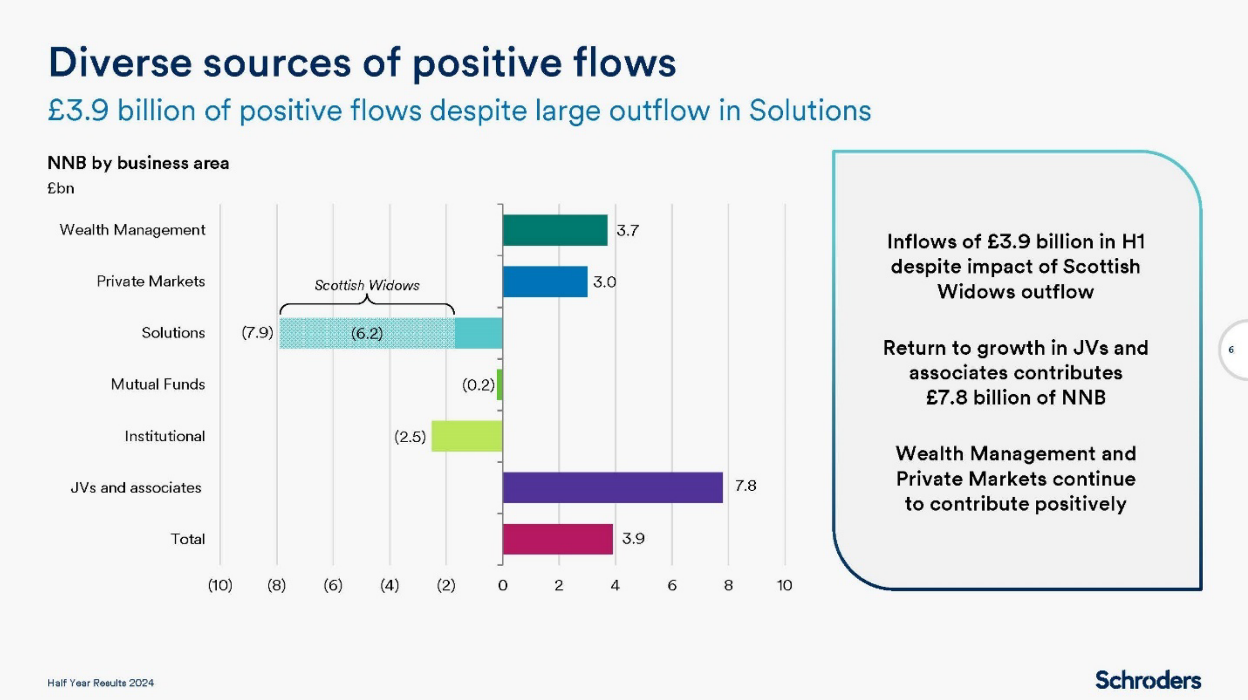
Now let's go into the numbers. The headlines are assets under management up 7% year-on-year with positive net new business, including JVs and Associates, of £3.9 billion operating profit of £315 million and an unchanged interim dividend of 6.5 pence per share. I'll come down to breakdown the flows for you in more detail at the moment, and then Richard will be taking you through the financials. But just worth bearing in mind, the mix of our net new business in this period has changed more towards fixed income strategies. And that together with regional equities being out of favour had an impact on our top line for the period. Plus, we've seen lower performance fees compared with this time last year.

Delivering positive client outcomes



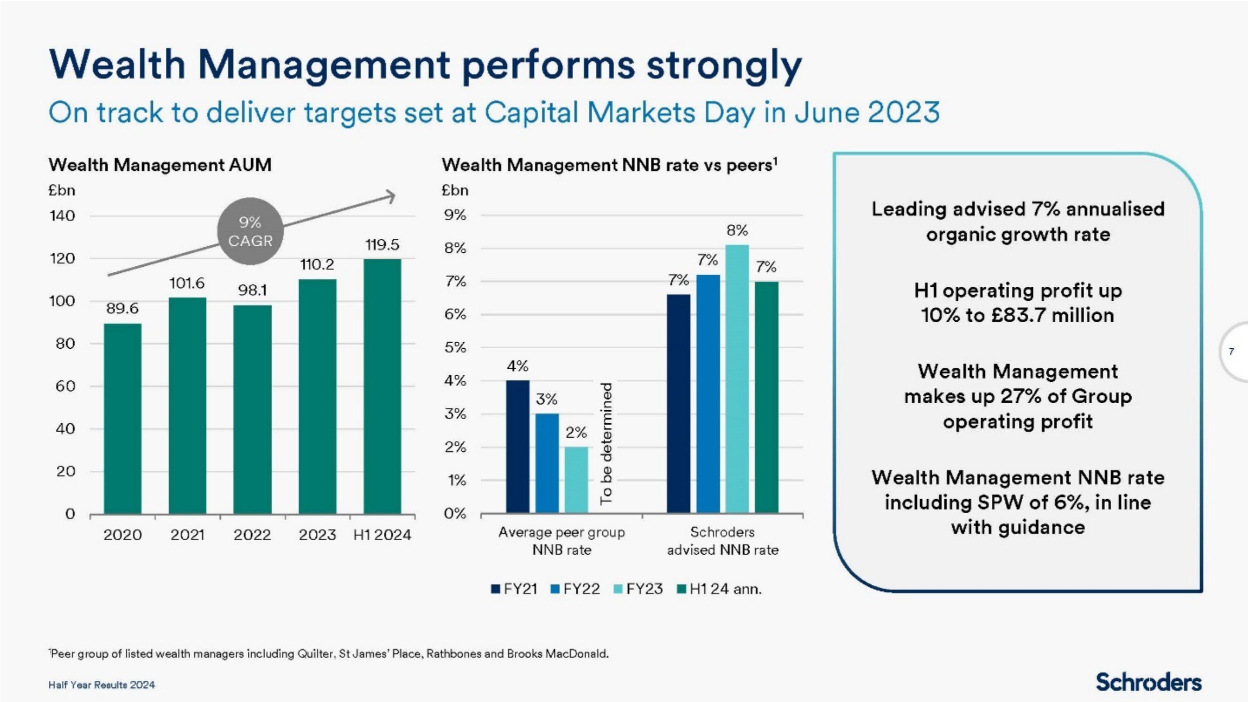
Onto performance. Obviously, this is absolutely key. Importantly, we've seen a good improvement in these figures. Over one year, 69% of our assets outperform their comparative benchmark. And that compares with 56% at the year end. And over three years, the numbers are 62% to funds outperforming, and five years, 78% of funds outperforming. So, we continue to deliver strongly for our clients over the long term.

Diverse sources of positive flows



Now let me take you through the flows as they stand today. Overall, we're in positive territory. We've got £3.9 billion of net new business, as I said, across the group. Crucially, our diversification means that net new business is coming from a variety of growth drivers, both geographically and by investment capability, which helps us navigate the broader industry headwinds. I want to spend a moment or two on solutions. Firstly, earlier in the year, Scottish Widows announced the disposal of their bulk annuity book. And for us, that's come through as an outflow, which in total that one client accounts for £6.2 billion of outflows of the £7.9 billion out in Solutions. We've also seen some buyout activity there, which I'll come back to those dynamics in a moment. But if we exclude the impact of Scottish Widows, we're looking at total net new business of £10 billion to the group in the first half. And of that £10 billion, half is coming from those strategic growth areas, which we've talked about, which I think is testament to the change in strategy.

Wealth Management performs strongly

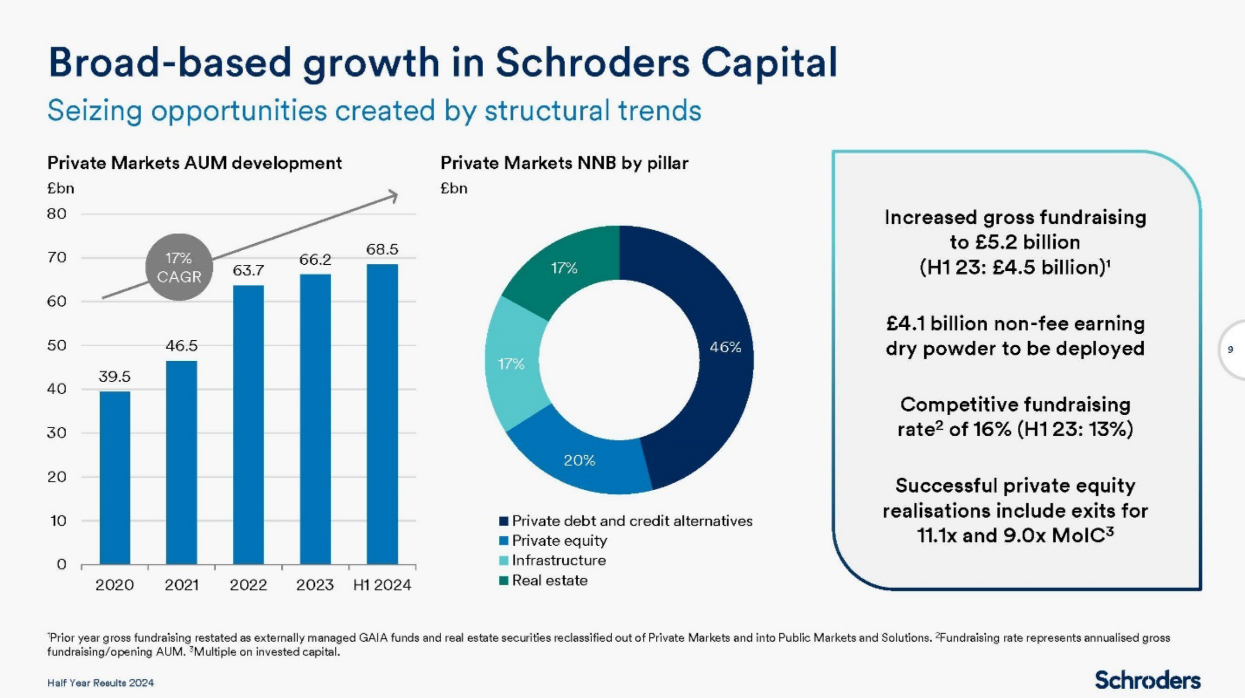


Wealth Management had a standout first half. The advised growth rate of 7% continues to be strong relative to peers, and we had net inflows of £3.7 billion into wealth. On top of that, SPW had positive flows of £0.2 billion. So these charts are just the business area, but if you include SPW JV, our total Wealth Management assets under management were up 8% since the end of 2023 to £134.5 billion at the end of June. Now it's just over a year since our Capital Markets Day that we had in June 2023, and I want to take a moment to update you on where we still have a unique wealth proposition for our clients across the wealth spectrum.

A unique Wealth Management offering

Firstly, onto our ambitions for the business. Last year, we increased our net new business target to 5% to 7% per annum. Excluding SPW, we saw £3.7 billion of inflows in the first half, which equates to an annualised growth rate of 7%, at the top end of that range. Including SPW, it's at 6%, which remains strong. Last year, we saw operating profit growth of 16%. And with a 10% profit growth this year, we're still on track for the target of 10% compound annual growth rate and operating profit between 2022 and 2025, excluding the impact of markets and FX and acquisitions, which is what we talked about. On the business themselves, first, Cazenove Capital. This business makes up the majority of our Wealth segment by assets under management, and it's driving excellent growth. It's the UK largest charity manager that is charities invested assets, excluding cash. The strength of the business lies in the targeted growth strategy, which looks at those areas of the market where we can really leverage both Cazenove Capital and the Schroders brand. For example, charity clients really value our sustainability expertise. In the ultra-high net worth family office space, we benefited from the acquisition of Sandaire which has boosted our presence in that segment significantly. We continue to perform well amongst finance professionals and also entrepreneurs. Finally, of course, the regional strategy, which we've talked about, where we've aligned those to the hubs of Lloyds Development Capital locations. And that referral flow is ticking along nicely. Elsewhere within Wealth and Benchmark Capital, our technology and platform business, we've added 22 new advisers joining the network. We said at the Capital Markets Day, we would target assets under management of £200 million per operating staff member. We're at £140 million then when we said it. We're at a £184 million now, and we're on track to hit the target, by 2025. For SPW, we've seen an improvement in the conversion rates of referrals that we get in from Lloyds Banking Group and seeing an average client investment portfolio size increase year-on-year. The re-platforming of that business has progressed slower than anticipated, pushing out our ambition slightly for the business. The power of these businesses is really how they interact. So, the lot with our partners at Lloyds, for SPW, with Lloyds Development Capital, for Cazenove and the Regions, and the Lloyds Business Bank, or with the wider Schroders Group. So, if I give you an example, Benchmark is leveraging our award-winning Schroder Investment Solutions service. Cazenove is able to offer clients access to private markets via Schroders Capital and has collaborated with our Solutions group to pitch for combined management of charity, society, and pension fund assets. So, yeah, they really are coming together as one whole, and creating a really powerful ecosystem.

Broad-based growth in Schroders Capital

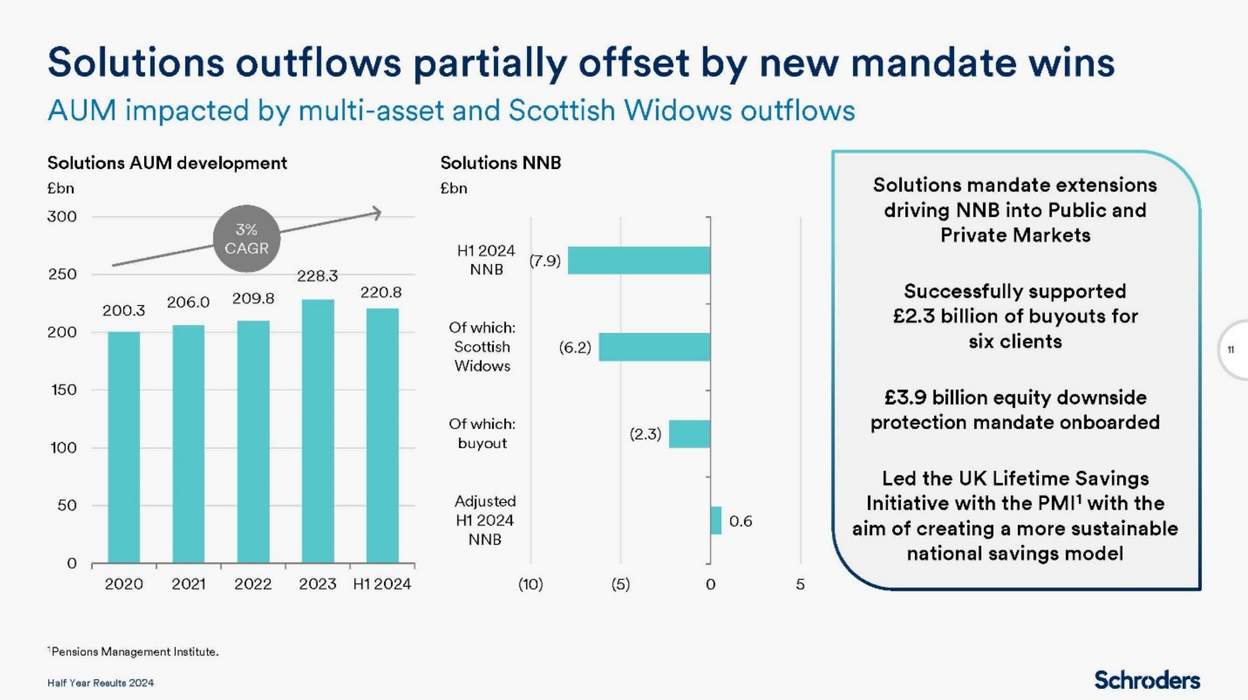


Speaking of which, on to Schroders Capital. There's been a pleasing first half of private markets business. We've seen fundraising increase to £5.2 billion which means our fundraising rate is up to 16% annualised. Net new business was £3 billion. Again, in the first half, we've seen all four private market pillars: private equity, private debt, and credit alternatives, infrastructure, and real estate, all contribute positively to net new business. I've highlighted a couple of recent exits in our private equity business in the first half with multiples on invested capital of between 9x and 11x. And we continue to execute on deals in the small to mid-buyout range. In Infrastructure, Greencoat continues to invest in solar and wind, biomass, hydrogen, and other renewable opportunities. And earlier this year, we announced we'd agreed to acquire the Toucan Energy solar portfolio, the largest operating solar portfolio, puts the market in the UK. It's a major achievement for the team, particularly given its size, complexity, and number of stakeholders involved in the transaction and further extends our lead as the largest solar operator in the UK by some considerable margin.

The launch of Future Growth Capital, a new UK investment manager

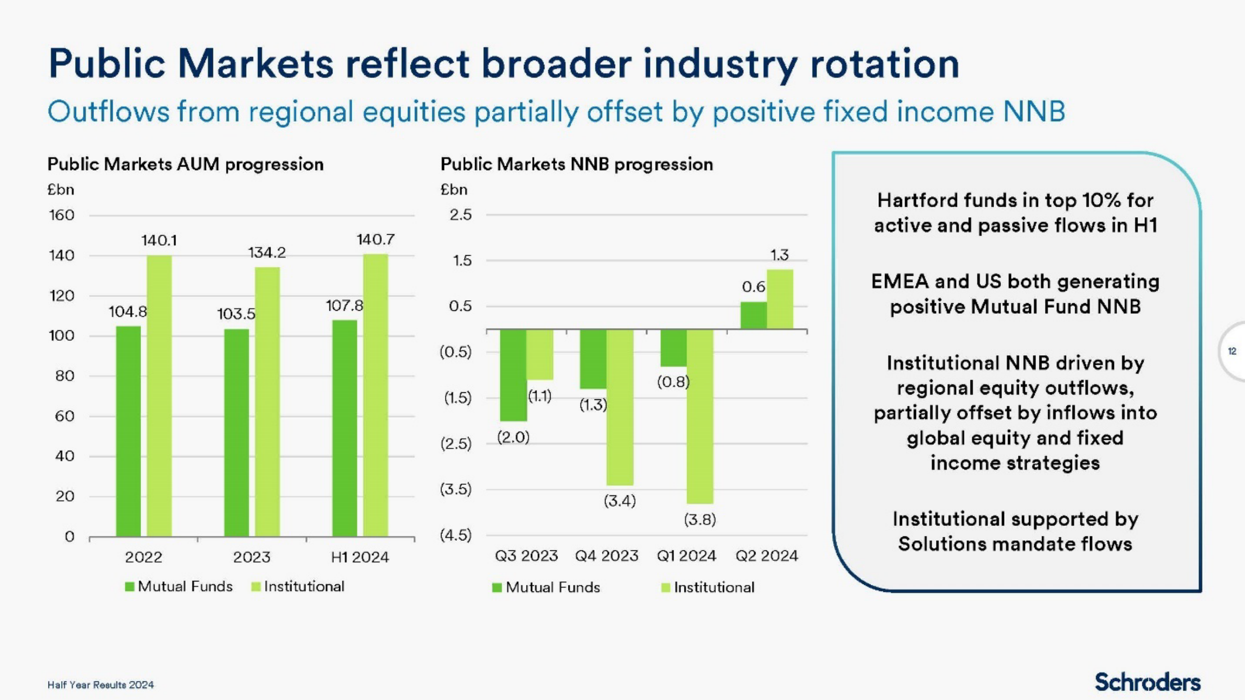
We've talked before about strategic partnerships and how we continue to innovate for clients. I'm really excited about our newest initiative, a joint venture with Phoenix, the UK insurer. We're going to launch a dedicated investment manager. This aims to unlock investment opportunities in private markets for UK pension savers. Future Growth Capital, or FGC, will sit alongside the Schroders Capital capabilities, offering multi-private-asset solutions, initially through the launch of two LTAFs. With significant capital at inception, this will provide secure long-term flows. FGC will aim to deploy a significant allocation of up to £2.5 billion in the first three years from Phoenix Group, and an initial £1 billion commitment. In total, FGC will aim to deploy between £10 billion and £20 billion of investor funds into private markets over the next decade, which I think is a really important contribution to powering future growth of this really important subsector. Now subject to regulatory approval, FGC aims to be the first dedicated private markets manager to be established in the UK to promote the objectives of the Mansion House Compact. It's a commitment by a number of pension funds and insurance companies to invest the relevant savings products of private UK companies to enhance returns, boost investments in the UK businesses, and to create jobs and prosperity. We strongly believe that the recent allocation will be a starting point. I think it could significantly increase over time. And we anticipate the upcoming pensions review from this government to be supportive of these trends. So really excited about the establishment of this new, joint venture.

Solutions outflows partially offset by new mandate wins



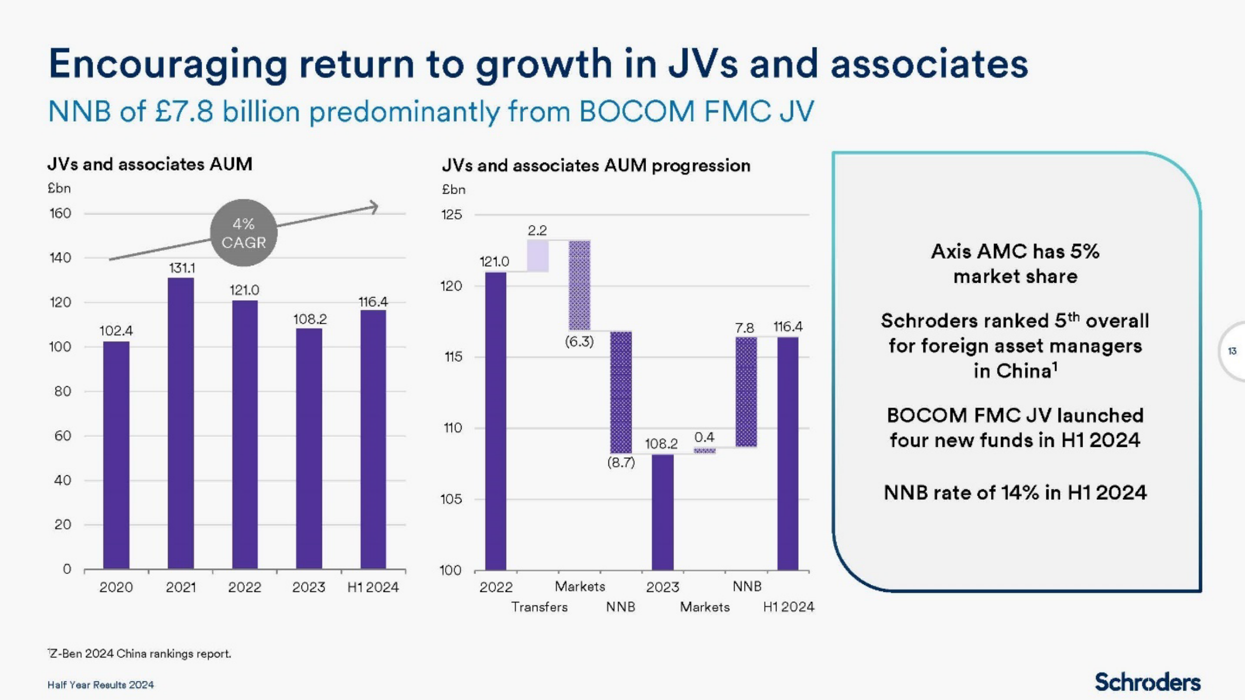
Onto Solutions. Here we saw outflows, I said, of £7.9 billion, of which £6.2 billion was Scottish Widows, which I touched on earlier. The other piece of this, we also successfully supported six clients to reach their investment goals and moved into buyouts. On the NMB slide, that means a headwind from those six clients of £2.3 billion out. But importantly to remember that these are not regretted outflows. It's a successful outcome where we performed our fiduciary duty for our pension fund clients, and they've reached their goals. Excluding those two factors, Solutions had positive net new business for the first half. We've seen a couple of redemptions which have impacted on flows within those numbers. One of the multi-asset proportion of solutions, the other was a result of a client making a decision to insource, given their own significant growth. And they've been a client for 15 years. We were pleased to be part of their growth and that we part ways held in high regard and with good ongoing discussions. The real benefit in solutions is how we can provide clients with access to investment capabilities across the wider group.

Public Markets reflect broader industry rotation



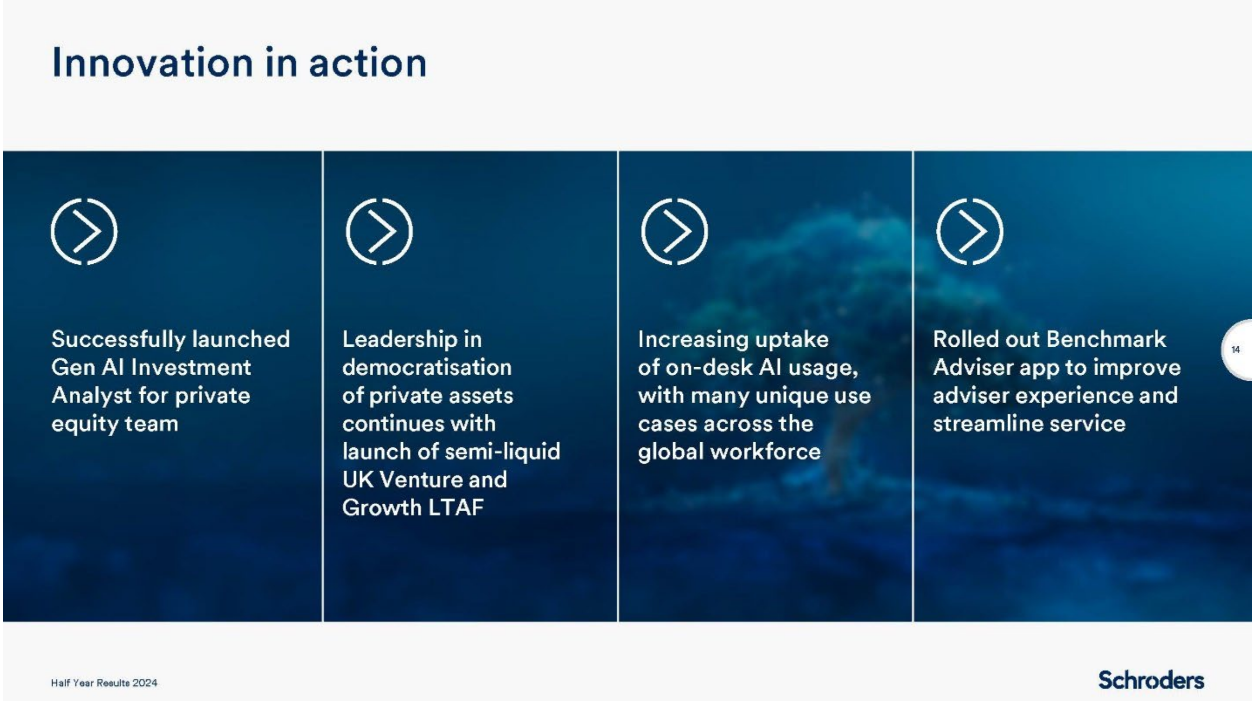
Now despite the market backdrop, our public markets business has been resilient in the first half. There have been outflows of £0.2 billion in mutual funds and £2.5 billion out in institutional. I want to unpack those two numbers a little bit for you. In both cases, we are seeing a shift out of regional equity and in to fixed income strategies. I'll give you a sense of the magnitude of those flows, for Public Markets combined, equity business saw £6.1 billion out and fixed income saw £3.9 billion in. We're in good shape on the fixed income performance – 90% of our funds outperformed over one year, 68% over three years and 85% over five years. That's helping us capture that broader industry demand for yield and a move back into fixed income. Now specifically in mutual funds, to my mind, the interesting thing is the shape of the flows. I've broken out the last four quarters for you. You can see that positive momentum is building as the year progresses. That's coming from flows into our flagship strategies, particularly Euro and Global Credit, resulting positive flows for EMEA and the US. Slightly different dynamics in the Institutional business. Of the £2.5 billion out, that includes two clients that together make up £3 billion of losses. On the other side of the coin, as I mentioned, we've seen inflows from our solutions clients. As you know, the flows in solutions can be very lumpy, so I wouldn't say this is necessarily a feature we'll see in every period. Now the challenge on the public markets business remains the pricing environment, and we have seen a lower average fee margin coming through from the composition of net inflows to the business. Richard will take you through the detail on that in a moment.

Encouraging return to growth in JVs and associates



We've talked before about JVs and associates being high growth, cyclical business, and that's particularly true for our businesses in China. We've seen positive net new business of £7.8 billion in the first half from JVs and associates as investor sentiment has shown signs of turning and money starts to move out of cash deposits. The challenge here is that while flow volume is looking good, in the BOCOM FMC JV, those flows have been into fixed income and money market funds. So, coming out of cash, into fixed income and money markets. In combination with the regulatory changes introduced last summer, we are looking at a lower revenue contribution from that business over the short term, than we've been used to historically. Clearly as they move back into equities, that picture will improve as they move up the risk curve. To touch on our partnership with Axis in India, there was a small headwind in terms of flows during the half and separately the other part of this is SPW contributed positively to flows as I mentioned earlier in the Wealth slide.

Innovation in action

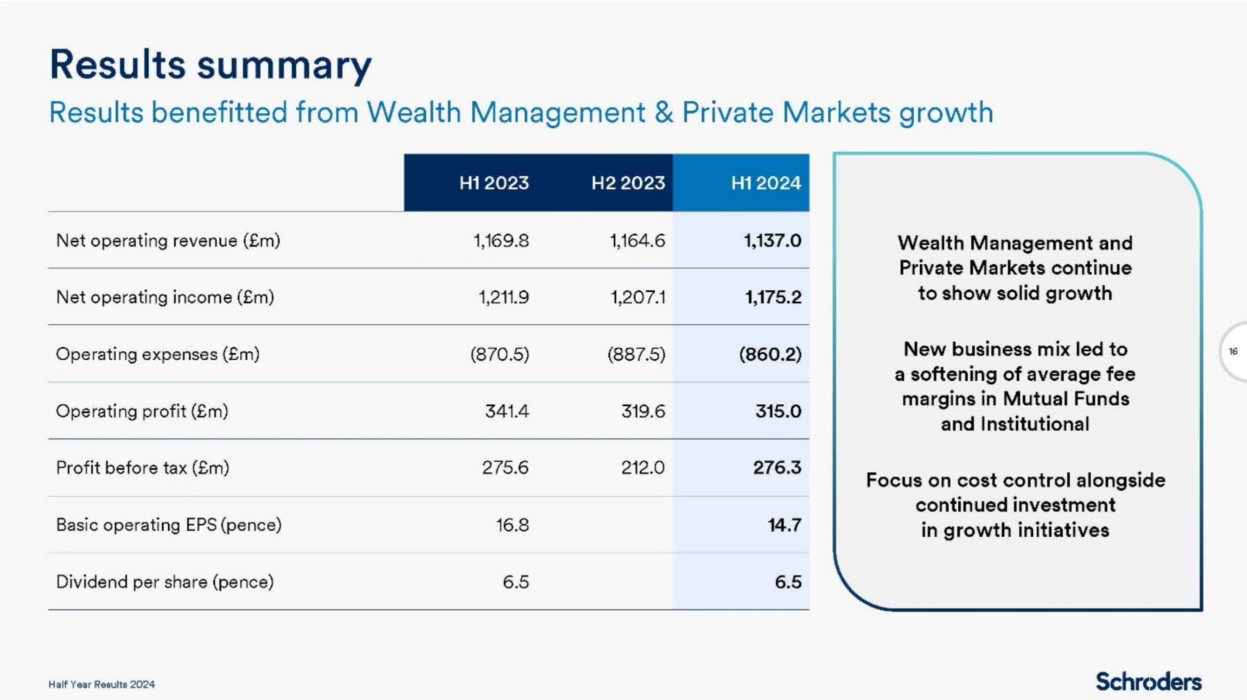


For me, what keeps this business ahead of the curve is our focus on innovation. We've announced some exciting developments which will allow us to work smarter and faster. We've got a significant number of use cases of AI across the business as we seek to use technology as a catalyst for growth. This is a really important change to my mind. To highlight one in particular, we've introduced a Gen AI investment analyst into our Private Equity business. This will speed up the analysis of large volumes of data, freeing up our investment specialists' time for more value-added tasks and delivering for clients. In private markets, we've extended our semi-liquid fund range, as we want to move those closer into the Wealth channel and our latest initiative has been for us to launch the UK Venture and Growth LTAF, which has been supported by contributions from the British Business Bank. This will be further supported by the LTAFs we bring to market within Future Growth Capital. I'll now had over Richard to take you through the financials.

Richard Oldfield (Chief Financial Officer):

Thank you, Peter, and good morning, everyone.

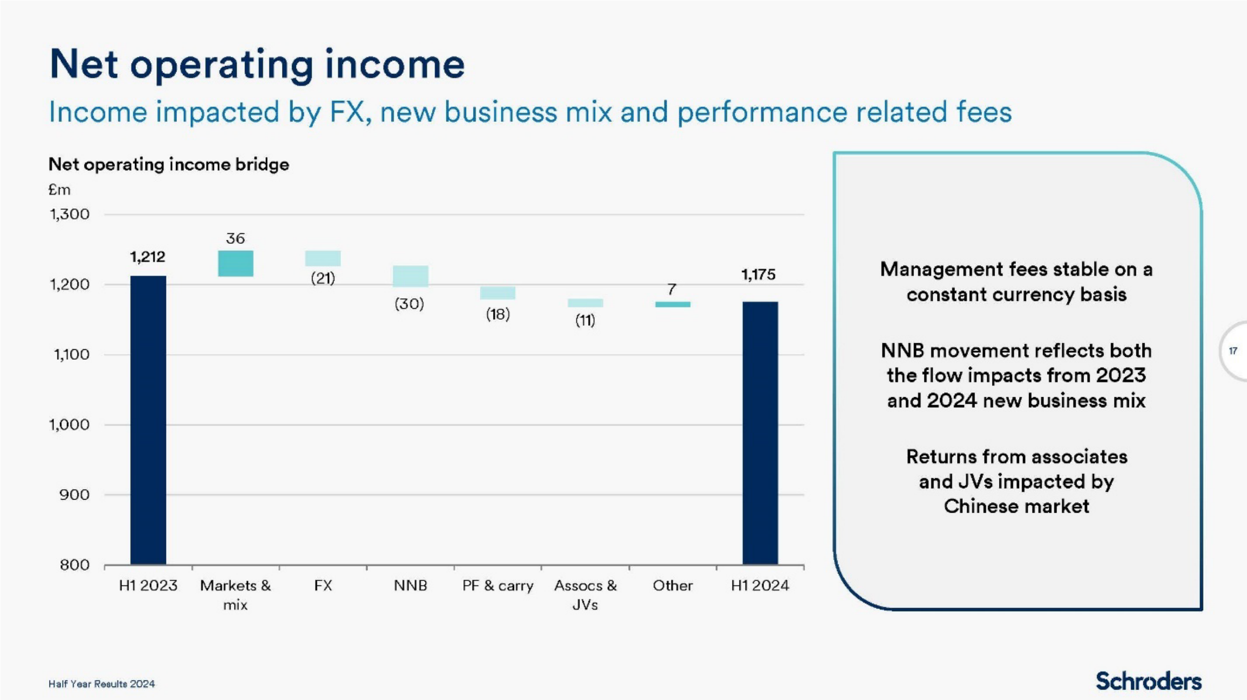
Results summary



	H1 2023	H2 2023	H1 2024
Net operating revenue (£m)	1,169.8	1,164.6	**1,137.0**
Net operating income (£m)	1,211.9	1,207.1	**1,175.2**
Operating expenses (£m)	(870.5)	(887.5)	**(860.2)**
Operating profit (£m)	341.4	319.6	**315.0**
Profit before tax (£m)	275.6	212.0	**276.3**
Basic operating EPS (pence)	16.8		**14.7**
Dividend per share (pence)	6.5		**6.5**

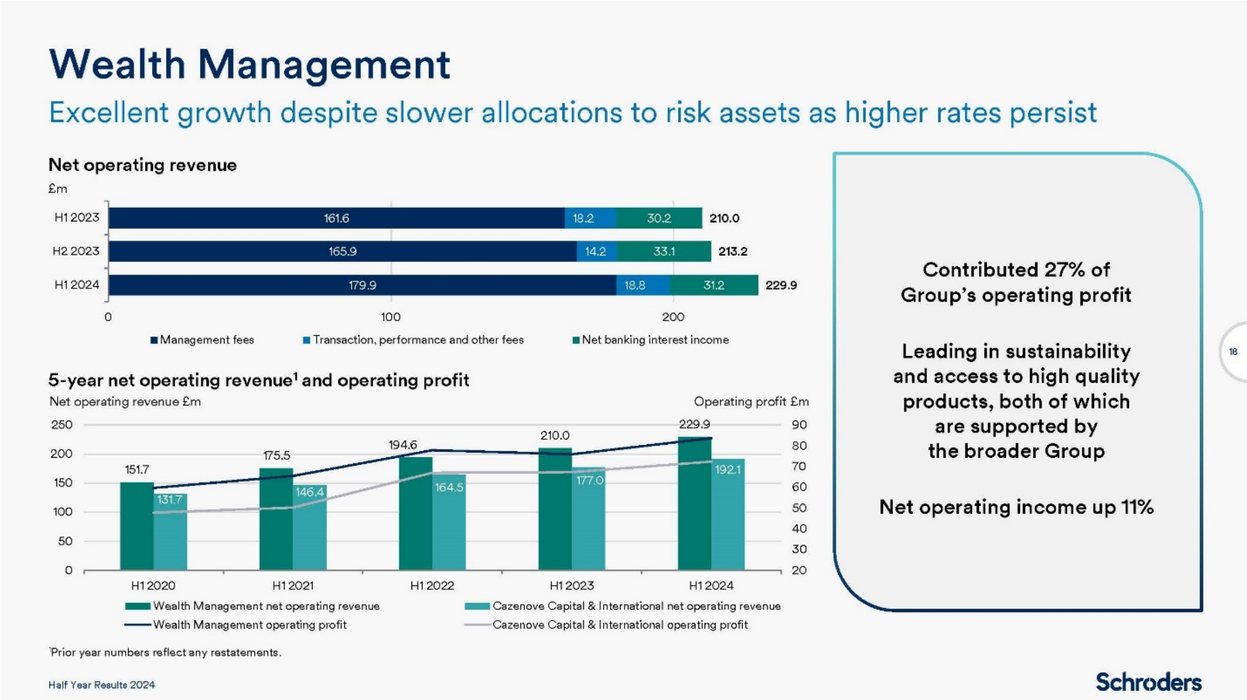
I want to start by setting out what I have taken away as the four key aspects of these results. Firstly, we generated good inflows during the half, despite the adverse impact from Scottish Widows' decision to sell their bulk annuities portfolio. Secondly the emphasis on our strategic growth areas continues to bear fruit. Wealth Management and Private Markets have performed really well and continue to deliver solid growth. The Solutions business saw net outflows, but they continued to show why this capability is so important to the wider Group, by introducing new business opportunities to both our Public and Private Markets teams. Thirdly, we saw softening in some margins as our business mix evolved. Peter has already talked about the strong performance of our fixed income products which drove good flows into that asset class. At the same time, flows into equities were towards lower margin products and away from higher margin regional strategies. Together, these factors combined have led to a softening in margins for both our Mutual Funds and Institutional business areas. We also saw some softening in Private Markets, principally driven by the absence of real estate transaction fees. Finally, and importantly, we have continued our focus on costs. We reduced operating expenses by 1%, whilst continuing to invest in change and growth initiatives.

Net operating incomes



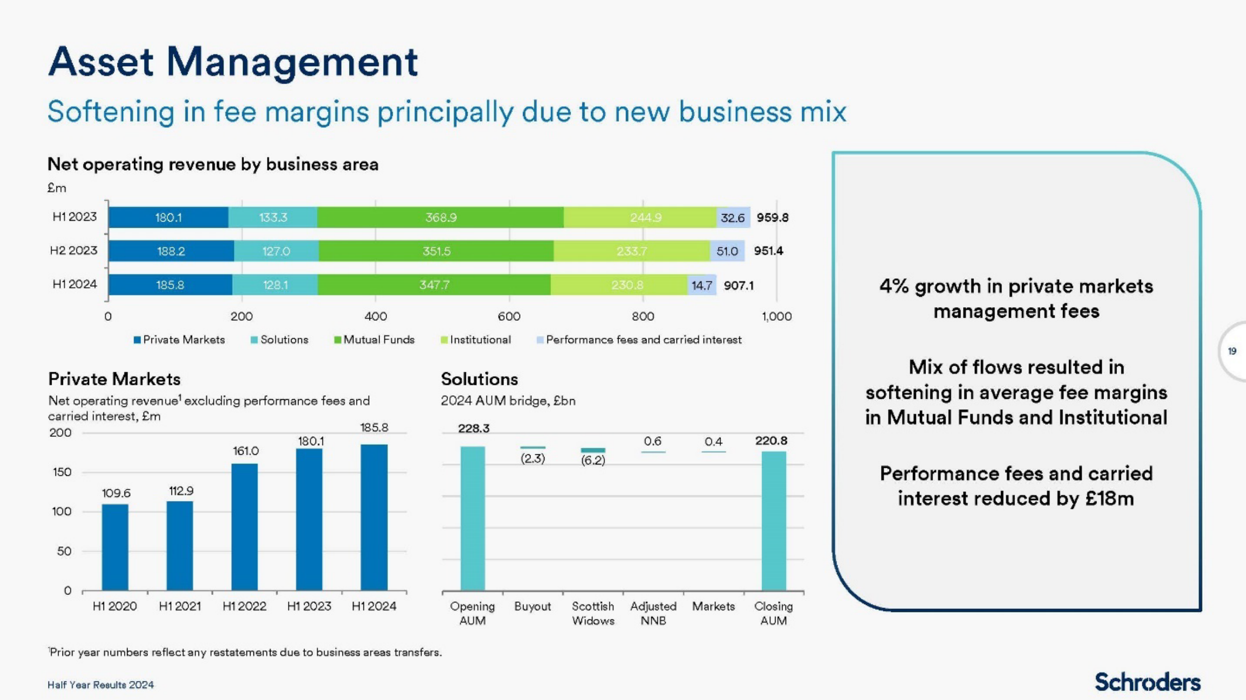
Now, let's move onto some of the detail, starting with net operating income. As you can see on this slide, although we benefitted from growth in markets, it was not enough to offset other headwinds. So let me talk you through the key items. The appreciation of sterling led to a reduction in revenues of 2%. At constant currency, our management fees were actually stable year on year. Next, net new business reduced revenues by £30 million. This reflects both the flow impacts from 2023 and the mix of our new business in 2024. You'll see the impact of this come through in our fee margins when I talk about the Mutual Funds and Institutional business areas in a moment. Performance fees and carry were down £18 million from the first half of 2023. These 2 areas can of course be volatile from one trading period to another. Performance fees are generally linked to the outperformance of a benchmark over either 1, 3 or 5 years. Whilst most of our performance fee earning mandates are above benchmark, in this half they are currently below their high-water mark where they can accrue more performance fees. And our carry was lower. Peter mentioned that our Private Markets business generated some fantastic exits for our clients. But under accounting standards we were required to recognise the associated carry in prior periods. As we look forward to the full year, as you know, we can't precisely predict the level of performance fees and carry but given where we are at the half and uncertainty over rate moves, there is clearly some downside risk to the £75 million I told you we had in our budget at the start of the year. Finally, and before I move on to the segments, our returns from associates and JVs reduced by £11 million. There are a few parts to this, so let me unpack this for you. In February, I said two things about China – firstly, that we are confident in the medium-term outlook for the China market. That is totally unchanged. And secondly, I noted that there would be short-term market volatility. And that is what we've seen in the first half, our FMC JV recouped almost all the assets we saw leave in 2023. The impact of this growth was however offset by the market-wide fee caps introduced in China in July 2023, which was the primary contributor to our share of profits reducing by £12 million. Also on China, the WMC is still at a very early stage and has not yet reached a level of profitability. We expect 2024 to be the lowest point in terms of the contribution of that business. So in some ways, 2024 reflects a rebasing of our China interests. These movements were, of course, offset partly by our India venture with Axis, which continued to perform really well in the period with our share of profits increasing by 18% compared to 2023.

Wealth Management



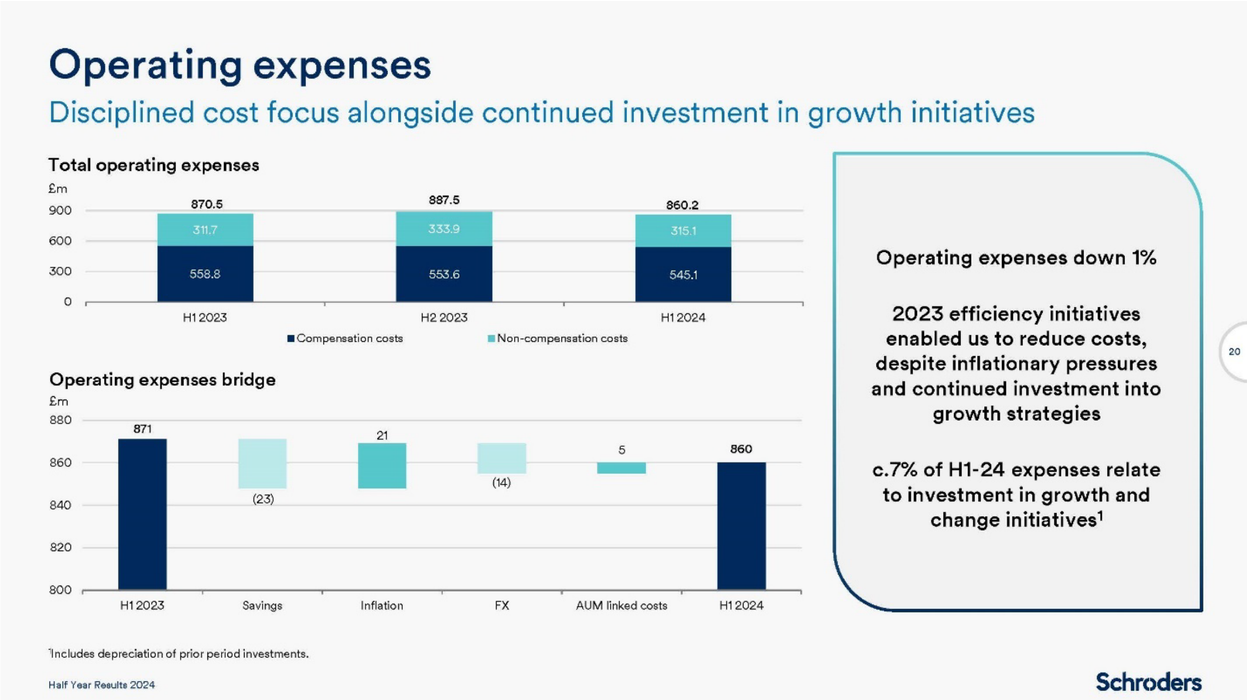
Let's now move on to the performance of each of our operating segments. Our wealth segment once again delivered excellent performance. The business now accounts for 27% of the Group's operating profit, and as you can see in the chart at the bottom, a large part of that is driven by the Cazenove Capital business. Peter's already spoken about what makes that business so valuable. Our success with family offices and charities is a result of our leading position in sustainability and in providing access to high quality products including private assets, both of which are supported by the broader group. Our net operating revenue margin was 41 basis points, in line with our guidance. As I've mentioned before, there is potential upside in this margin when we start to see movement from cash and gilts into risk assets. One additional point on Wealth before I move on. You're all aware of the current industry scrutiny over fees charged for ongoing services. We've performed a detailed review of the support in place for the fees we have charged in respect of these services and do not expect any significant issues. We are however keeping a close eye on industry developments and look forward to the FCA's additional guidance that we're expecting later this year. Moving on to Asset Management.

Asset Management



Let's start with private markets. As I have got to know this business, I am increasingly impressed by its focus on creating long-term, differentiated outcomes for our clients. And of course, this is all achieved through the breadth of capabilities leading to a range of solutions tailored to clients in all segments of the market. We also have good diversification in terms of product structures, through evergreens, traditional LP programmes, and mandates. This not only means we can appeal to a broad spectrum of clients. It also provides us with diverse revenue streams. We have both the locked-in, fixed revenues and clear pipelines that LP structures offer, and, from evergreens, the opportunity for existing products to grow. Our private markets business has delivered solid growth in the half. As you've already seen, we had good fundraising with an annualised rate of 16%, and the growth in AUM helped drive a 4% increase in management fees. We saw positive net new business across all four pillars of the business. The net operating revenue margin was 56 basis points, 2 basis points lower than our guidance and 1 basis point lower than 2023. That reflects the absence of real estate transaction fees and the product mix of our fund raising in the first half of the year. For the full year, we're anticipating the margin will remain at the 56 basis point level. The Solutions business was impacted by some of the lumpier outflows we've already talked about. The net operating revenue margin was 12 basis points, in line with 2023 and our guidance. We expect the margin to stay at this level for the remainder of the year. Moving on to Mutual Funds. This is where the impact of the new business mix that I talked about comes through most strongly in the revenues. We've been successful in attracting those fixed income flows, which has a mix impact. But we've also seen this mix shift within equities which have generated good flows into lower margin products, with outflows from higher margin regional products. As a result, our net operating revenue margin was a basis point lower than our guidance at 67 basis points. Given the change in mix we have experienced, we expect the margin to stay at this level for the full year. And there's a similar picture for our institutional business. In 2023, we had a net operating margins of 35 basis points. At the year-end, I told you we were anticipating a basis point improvement from the impact of lower margin outflows in 2023. However, instead what we have seen is that the mix impact from our net new business in 2024, which I have just talked about, has more than offset that and meant that the margin has decreased from 35 to 34 basis points. Given the current mix of the business, we expect to stay at 34 basis points for the full year. Now, let me move on to operating expenses.

Operating expenses



I'm really focussed on the fact we have to save to invest to drive our growth in our business, and we are all working hard to achieve that. You'll remember that last year, we took a restructuring charge, and you can see from the chart, the benefits of the resultant savings of £23 million coming through in the cost base. The savings have been critically important in offsetting salary inflation that we've experienced and the broader inflationary pressures on the non-compensation costs. Overall, our operating expenses have decreased by 1%. We've delivered that reduction whilst continuing to invest in growing our business for the future, in multi-year initiatives like the China FMC and the operational transformation that Peter talked about, that's being driven through AI. The strategic partnership with Pheonix is the latest example of that investment and will lead to additional costs through the end of 2025, alongside the potential for significant growth in the medium term. In total, around 7% of our 2024 expenses relate to these investment costs coming through the income statement including the impact of depreciation of prior period investments. Our non-compensation costs were £315 million. As you know, these costs are weighted towards the second half of the year, and we expect them to come in no higher than the £675 million guidance I gave in February. We continue to accrue compensation costs at a 46% operating compensation ratio, although as you can imagine given the pressure on revenues, this is something I'm keeping a really close eye on as we go through the second half.

Group Capital composition

Group Capital composition

Capital position with increased flexibility

Capital base
£m

	FY 2023	H1 2024
Equity capital base	4,464	4,411
Regulatory deductions[1]	(2,158)	**(2,186)**
Dividend[2]	(233)	**(101)**
Overall regulatory capital requirement	(1,443)	**(1,470)**
Equity capital surplus	**630**	**654**
Subordinated debt	-	**250**
Total capital surplus	630	904

Additional financial flexibility and capital diversification through debt issuance

Capital allocation policy remains unchanged

[1]Regulatory deductions principally comprise goodwill, intangible assets and pension scheme surplus.
[2]Final/interim dividend proposed for the respective year/period.

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Now, let me talk you through our capital position. One of the things I have looked at really closely since joining, is the efficiency of our capital structure and in April we had the inaugural subordinated debt issue of £250m. This has provided us with increased financial flexibility and diversifies our source of capital and liquidity. The debt issuance has helped to increase our capital surplus to £904 million. We are not changing the capital allocation approach I outlined in February, as we remain focused on further executing our strategy in the coming months.

Profit before tax

Profit before tax

Confidence in strategy

£m

	H1 2023	H2 2023	H1 2024
Operating profit	341.4	319.6	315.0
Central costs	(23.4)	(29.5)	**(28.2)**
Net gain on financial instruments and interest income	23.9	31.8	**20.5**
Acquisition costs and related items[1]	(42.8)	(47.2)	**(31.0)**
Profit before restructuring costs	299.1	274.7	**276.3**
Restructuring costs[2]	(23.5)	(62.7)	-
Profit before tax	275.6	212.0	276.3

Basic operating EPS 14.7p
H1 2023: 16.8p

Basic EPS 12.9p
H1 2023: 13.6p

Interim proposed dividend 6.5p
H1 2023: 6.5p

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[1]Include deal costs associated with corporate transactions and costs associated with the integration of acquired businesses as well as amortisation of acquired intangible assets.
[2]Restructuring costs are one-off in nature and primarily comprise compensation-related costs.

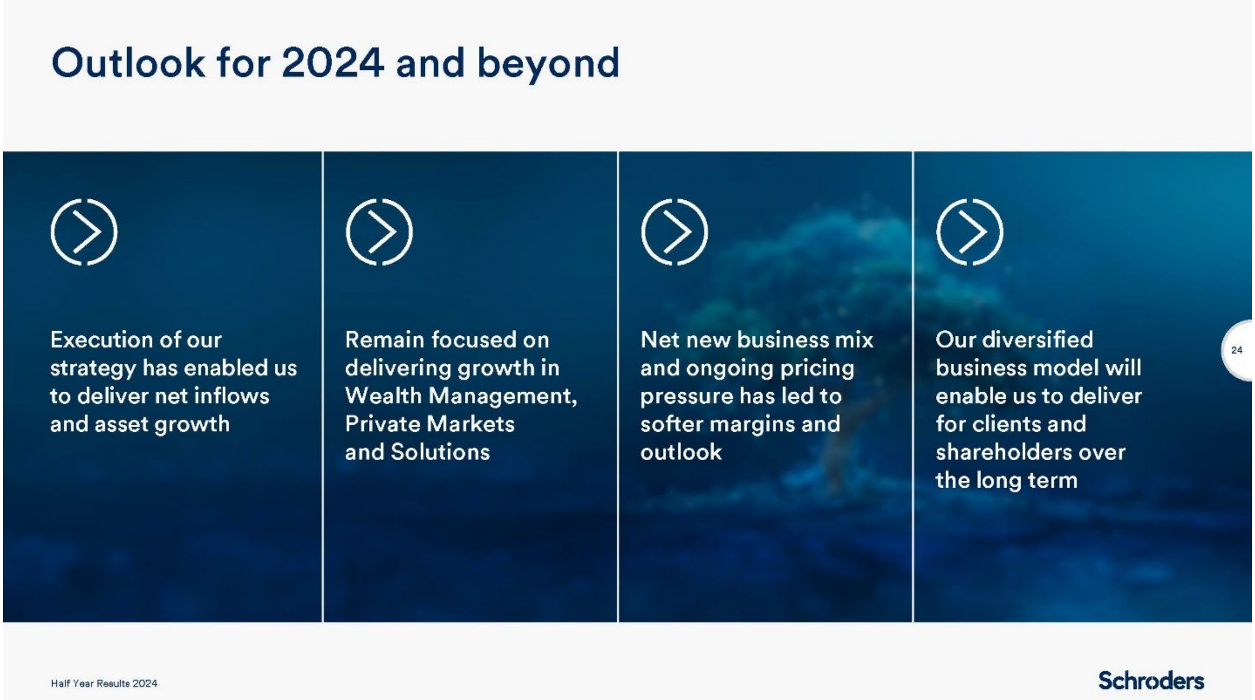
Half Year Results 2024

Schroders

So, let me summarise what all that means. These half year results continue to demonstrate the benefit of our strategy. We have had solid growth from Wealth Management and Private Markets, with Solutions contributing new business opportunities to the rest of the group, all of which has helped to offset some of the structural changes in the other business areas. We had operating profit at £315 million, 8% down compared to the prior year. Our effective tax rate on operating profit is 22.8%. This increased from 19.4% in 2023 principally due to the revaluation of deferred tax assets and a change in the geographical mix of profits. This resulted in an operating earnings per share of 14.7 pence. I'm pleased to say that we have maintained our interim dividend at 6-and-a-half pence per share. Acquisition related costs were £31 million, compared to £43 million for the same period last year. These principally comprise the amortisation of intangible assets and expenses related to contingent consideration. For the full year, we expect these to amount to £70 million which is £10 million lower than the guidance that I gave you at the start of the year. All of this has resulted in a profit before tax of £276 million, flat on last year. Thank you very much and now I'll hand back to you, Peter, to wrap up and talk about the outlook.

Outlook for 2024
Peter Harrison

Thanks Richard. So, let's go to the outlook.



The execution of our strategy has enabled us to deliver inflows and net asset growth. I think that's really important that investing for growth remains absolutely at the heart of our strategy. So, we remain very focused on delivering growth in wealth, in private markets, and in solutions, the fast-flowing waters that we've talked about before. Now absolutely in the period, net new business mix and the ongoing pricing pressures in the public markets business has led to a softer margin outlook. And that is why we need to continue to remain focused on delivering that growth in wealth, in private markets, and in solutions. So, very much the focus. But our diversified business model will enable us to deliver for clients and shareholders over the longer term. We're very clear about that. So, thank you all. That's it from us in the room. We'll now go to questions. Please remember to raise your hand on Zoom, and if I can ask you to state your name and firm for the record that would be great. Thank you.

Q&A

Moderator: Our first question is from Arnaud Giblat. Arnaud, if you could please come off mute, restate your name, your company, and who your question is directed to.

Arnaud Giblat (BNP Paribas Exane):

Hi. Good morning. It's Arnaud Giblat from BNP Paribas Exane. I've got three questions, please. Firstly, could you talk about the fundraising efforts that are currently ongoing in private markets? I suppose you have a number of funds in market. If you could give us a bit more granularity, that would be useful. And, specifically, if you could zoom in a bit on real estate. I mean, we've seen a lot headwinds, in the market in general. I'm just wondering if that's something you're experiencing. My second question is on the Wealth Management business. Given the current environment where we're seeing quite a bit of volatility and news flow around possible tax changes, I'm just wondering if this is creating a bit of an opportunity for new current client referrals to Cazenove. And finally, my third question is on M&A. We've seen, quite a lot of deal activity going on, with regards to private managers being acquired. Your private offering is quite complete but not fully complete. I'm just wondering if you're seeing opportunities to be at the market on M&A from there. Thank you.

Peter Harrison

Thanks, Arnaud. Let take those. First of all, on the fundraising side, actually, the interesting thing on real estate is we've actually seen some good inflows during the first quarter. And I think almost the disconnects in that market are throwing up opportunities. So actually, we see that as a really good thing. We've got some we've got some good wins also coming through in 2025, which won't be onboarded this year, but have been won. So actually, real estate feels like a good place.

What was nice for the for the period was pretty well balanced across all segments with all areas and the performance across all the segments is also good. So, it feels to me like that's the right way to look at it.

There's many, many more, moving parts in that but I think we look out, it's right to think about a balanced array of fundraising across those segments.

On Wealth Management, look, I think there's it's not really about tax changes. The tax environment in the UK has always changed a great deal. I think it will continue to change a great deal. I think there's a market share opportunity because there's obviously quite a lot of dislocation going on in the wealth management sector. We're definitely seeing share gains there, and we're also seeing the benefit. You know, a couple of years ago, we talked a lot about the regional build out. And if you if you look back at that now, we've seen a really good growth in those regional centres.

So, we do expect, you know, we reiterate in the 5-7% net asset growth, guidance. We feel comfortable about that. But I think we should see that from market share gain and new wealth creation. You know, we're particularly good entrepreneurs, and financial sector, two big areas and, obviously, charities has been a good source of money for us.

On M&A, we're not fully built out. We don't have the direct lending business. But I think if you look at the dynamics of that and the overcapacity piece, I think we feel very comfortable not having that at the moment where it's not a priority for us to get it. Our focus is very much on organic. We do think I mean, almost every day, you know, you see it as well as us, there's an awful lot of deals being announced and partnerships, etcetera. We expect that to continue because we see more public firms wanting to be in the private space. I think that shift is now very well documented.

So, we're more focused on privates rather than M&A in that area.

Although, clearly, you saw yesterday, we did this transaction with Phoenix where we can secure flow by being embedded in a pension fund provider. And that for me is a is a really good way of building a private markets business.

Hope that helps, Arnaud.

Next questions.

Moderator: Thanks, Arnaud. If you could please lower your hand and go back on mute. Our next question is from Nicholas Herman. Nicholas, if you could please restate your name, your company, and who your question is directed to.

Nicholas Herman (Citi):

Yes. Hello. It's Nicholas Herman from Citi.

Thanks for taking my questions.

I have three, please, all on private markets.

Just on Future Growth Capital, which I thought is a really interesting development. Just curious, is that something that you originated directly with Phoenix? Or were they also looking at different partners for that initiative? If you could talk about the kind of discussions to form that initiative. And as part of that, should we now infer that your net new business target for private markets is or sorry, just happen rather, is now more like £8bn to £11bn rather than the €7-10bn. Just a related question on the DC opportunity.

It seems like that market is now really poised to start increasing allocations to private markets.

Would you agree with that, or are there any more operational niggles that need to be worked through before we start to see that really taking off?

And then just finally, I guess more of a technical question.

Do we think about private markets, and I guess as we think ahead rather to a recovery in private markets, including real estate, just curious, do all of your products charge on invested capital or NAV or do any?

And if so, can you quantify what proportion charge on committed capital, please?

Thank you.

Peter Harrison

Brilliant.

Thanks, Nicholas.

So, yeah, FGC, we were really pleased, to do that.

So, we did start, you know, Phoenix and ourselves were at the at the beginning of that conversation. So that they it wasn't as if they were running a process.

But the reality was, that once we, started talking, they had to do their due diligence to make sure that our expertise was absolutely top of the market.

So, they needed to satisfy their boards that that what we were doing was right. And we've left the way open that that this JV can buy third party funds.

But I think there was a there was a good cultural fit. You know, we we've both been very involved in the Mansion House Compacts and the thinking behind that growth dynamic.

So, for me, this this is 18 months in in the making. So, it's really good to see it come.

But I for me, it was a very, very logical pairing between the two of us. In terms of future private asset guidance, at this stage, we're not going to change guidance.

There's quite a lot of wood to chop to make sure that we those flows come through in terms of the timelines. We're hoping that that, you know, we've got to get the business approved by the FCA.

We’ve got to get the insurance assets or the local boards to give the approvals to move in.

So, as we get more certainty, we'll give you get but greater guidance on the exact timings of those flows and be very transparent about where they're coming in, etcetera. So, I think it's just a little bit too early to do that at these figures.

In terms of increased allocations, look, I don't see other operational niggles.

The big thing was getting the UK government to agree to the LTAF's. I mean and we've now got that approval scheme working. You recall that we won, a nice piece of business from, the UK government in terms of LSIMF's, which is putting money into life sciences, which we also did in partnership with Phoenix.

Our semi-liquid fund in private equities now hit £2bn, so that's at a good size. So that's no longer. We got a real estate fund which we still want to get to size. It's not an operational niggle, but it needs to scale.

But I think that you're right that the flows are starting to happen. Particularly in the UK, there's a huge amount of discussion. And this pensions review that the government's announced is definitely a positive for us because it's all about the things that we've been talking about for a while. So, that side of things, I think you're right to say that flows will increase.

In terms of invested or committed, Rich, I don't know if you have the number. We mainly, we're paid on invested rather than committed. But I think we do have a little bit on committed.

Richard Oldfield

And, nearly all of it, Peter, is actually on that invested.

Thank you.

Except there's a little bit of a particularly in private equity where we have it on commitment. But the majority is definitely on NAV.

Peter Harrison

And the dry powder number for the period was about £4bn.

Yeah.

£4bn of dry powder, which we're not being paid on, which is why we don't include it in our net asset figure.

So, the money that we record in our net in our, AUM is only the money that is invested in receiving fees.

Very helpful. Thank you.

Hope that helps, Nicholas. Thanks.

Moderator: Thanks, Nicholas. The next question is from Hubert Lam. Hubert, if you could please come off mute, restate your name, your company, and who your question is directed to.

Hubert Lam (Bank of America):

Great. Thanks. This is Hubert Lam from Bank of America.

I've got three questions. Firstly, on more on FGC.

Is it a joint venture set up with Phoenix? Maybe if you could talk a bit more about the economics of the venture with Phoenix. How do you share the revenues and just anything about a little bit more about how we should think about modelling it going forward? First question.

The second question is on the Solutions business. I know the Solutions has been tricky right now with the trend we're seeing around buyouts, and you also mentioned some in sourcing, and these trends do not seem to be updating. I'm just wondering how we should think about the Solutions business and flows going forward. I know it's a bit lumpy, but any just any feeling around that direction?

And lastly, on these LTAF funds, can you talk a bit more about the funds you have in place? What do you think is needed by the market to get more traction in it? And what are the obstacles in terms of acceptance around it by the broader market? Thank you.

Peter Harrison

Perfect. Thanks, Hubert.

So, what are the economics? We majority own but basically think of it as a sort of 50/50 JV, but we actually have slight majority control.

The two levels of revenues that we will receive; one is the revenues from,

Future Growth Capital, the company and the profits that they make on that. And then we will receive separately a manufacturing fee for things that are that delegated into Schroders, which will be part of the assets and the management that run Schroders Capital.

So, two levels to think about, the assets there. And I think what we what we're planning on doing is a proper Schroders Capital markets deep dive so we can unpack all that for you. Probably the beginning of next year, I think, would be a good time in to do that.

Solutions. Look, I think there's the underlying dynamics of the Solutions business is still very positive. But, you know, as you see rates rise, you should expect to see buyouts.

We saw £2.3bn in the quarter. That's not, you know, that's not complete completely out of whack number.

But the underlying growth of this business was much more impacted by the £6.2bn of Widows. And there was another, I think it was £3bn or so of an insourcing of a big client we've had over many, many years that took the money back in-house because they got to scale.

But the underlying dynamics, still feel very positive. And I think that the other thing we're seeing obviously is the flywheel effect. The more we can bring in clients with the big solutions mindset, the more we can then throw up other mandates for other parts of the business.

And I think that circular piece of getting that flywheel working is the other thing that makes the solutions bit important. So, we're feeling positive about the direction of the business, Hubert.

It's always been lumpy as you say. You know, we did Centrica two years ago. We did Tesco the end of last year. So, bringing these big things in, it takes a bit of digesting. But, you know, there is definitely a decent pipeline of interesting other mandates.

And, you know, I think out of the pensions review, you're going to see a greater focus on pension fund consolidation.

And also, perhaps something which everyone talks about, going to buyouts at the moment. There is a growing set of thoughts that funds may carry on investing through buyout, into much more of a continuity position, which is not insurance backed. Now that would be a great business for us.

So, we're excited about those prospects and the and the opportunities for product innovation and also more international expansion. So, dynamics there still positive, but frustrations about individual flows over this half year.

On LTAF's.

We’ve launched a range of different LTAF’s. We'll also be launching a number of new LTAF’S to go into the new JV with Phoenix. And they basically cover both a wide sort of scope of things. So, if you want access to private assets generally but also narrower things.

So, if you want access to Climate Plus or something like that, which is a sort of renewables type focus, you can have that as well.

So, if you think about it, it's almost like building out a mutual fund range, but for private markets. That's probably the right way to think about it.

And then outside of the UK, we should also mention that, you know, the growth LTF’s, LTF-2’s, semi-liquid funds in Luxembourg, etcetera. So, interval funds in the US.

So, there's a whole plan of play of as more people want democratised private assets, they're going to access different vehicles. We've got to be at the front edge of all of those. And we think that as a firm that's used to providing wealth solutions and mutual funds into these platforms, we're pretty well placed to be able to then provide democratised private assets in.

But LTAF is the vehicle of choice in the UK. It feels as if that's becoming the default. And you're seeing a lot of these big DC funds now having signed the Mansion House Compact, having to say, right, how are we going to fulfil our obligations?

And that's the bit that we've, we're working on in the in the coming months because it's not just Phoenix.

It's there's many other signatories to that compact who are going have to figure out how they get their allocations up as well.

And so, the final thing I'd say is we're all talking about 5%, but I don't think anyone for one moment thinks 5% is the final stopping point.

So, there's a there's a lot more to discuss in this area over time.

Thanks, Hubert.

Moderator: Thanks, Hubert. Our next question is from Mandeep Jagpal. Mandeep, please come off mute, restate your name, your company, and who your question is directed to.

Mandeep Jagpal (RBC Capital Markets):

Thank you. Mandeep Jagpal, RBC Capital Markets.

Three questions from me as well, please.

The first one is on mutual funds.

You showed an improving trend in net flows quarter-on-quarter. But within this improvement, what was the trend of active equities as the £6.1 billion net outflows over the half was quite high? And how do you see the outlook for active equity net flows over the second half, in particular, for regional equities, which you mentioned were relatively higher margin? The non-short-lived capital, what are the types of assets that will be included in the Future Growth Capital strategy? And what's the level of fee structure in place the asset between management and potential performance fees? And then finally, you spoke about the government pension review and Mansion House reforms, so along this line of thinking, and Peter's already touched on this, what are the implications for Schroders from the DWP consultation into options for DB pension schemes? This includes surplus extraction, and public sector consolidator for the UK DB schemes. For example, are you seeing early signs that there are CFOs who are considering running on their DB pension schemes instead of buying out?

Peter Harrison

Yes. So, thanks, Mandeep. Great stuff in there.

Look, on the mutual funds, I think there's two different trends going on here.

There's a switch from equities to fixed income, which is very evident across the whole market.

And I think that that that trend I can see with rates being higher, you'll definitely, you know, normally, fixed income is the stopping off point as you go back into equities. I think that move will happen at some point.

But if you look in Asia, for example, the move is out of bank deposits into money market funds and fixed income as Asia gradually re-risks.

And you saw that in the in the JVs line of people moving back into risk assets.

All of the flow is inactive and most of our fixed income flow was in credit, credited income, global credit income, Euro credit, etcetera.

Those are the are the real sweet spots.

The other trend that was going on, was the move during the beginning of the first half was really quite negative.

And then by the end of the second by the end of the first period, we saw inflows.

And I think that's the pattern which we've seen coming into July, in this first half.

So, Richard, I don't know if you want to add anything to that, but it feels as if that was a sort of a re-risking going on, during the period.

Richard Oldfield

Yeah. I mean, what we're actually seeing, Peter, as you say, is just that continual improvement month-on-month.

We've seen that continuing through into the early weeks of July.

So, I wouldn't really add anything else to that.

Peter Harrison

Mandeep, second question on FGC. What fees are included?

So, effectively, we haven't we haven't launched the products yet, so I don't want to front run those.

But if you thought about these products, come to market sort of 120 basis points-ish, that's 100, 120, that's the sort of level that we think is probably where they'll end up but work to do on defining all of that.

The implications on pension fund consolidations, I think, is huge.

Look, there's £1.6 trillion of UK DB pension funds, and there's another £650 billion of UK defined contribution pension funds.

And then there's all the stuff that was sold by, you know, the man from the Peru, etcetera, years ago.

The, for me, if you think about most of that money today is either in de-risked DB schemes or in indexed DC schemes.

So, if the pensions review starts to say returns are more important than low cost, which I'm pretty certain that's where it's heading and it's pretty explicit in the terms of reference, and people start to say, how can we take the DB world through into post-buyout?

That’s a really exciting prospect for a firm like ours.

And we are having very active conversations with pension funds to say, what's the alternative to buyout?

Because buyout is not a cheap option.

And the capacity for insurance to take all these risks is finite.

I mean, if you look at it a different way, the UK has, you know, four and a half thousand DB pension funds.

Is it really the right answer that all the risk gets consolidated in three or four big insurance companies that take all that risk onto their own balance sheet?

I think a lot of companies are saying, we don't want this risk sitting with us, but we're actually not sure that the right way of putting it is all into a consolidated pot.

So, I don't want to prejudge the review, but I think what's being drawn out of it is it's we've got to get returns for savers.

We've potentially got to increase the rate of auto-enrolment even. That's perhaps a more political question.

But we've also got to create a better outcome for the UK.

And I think all of those things have got to be good for a major pension fund player in the UK.

Richard Oldfield

And, Peter, maybe just to add a little bit to your point, Mandeep.

There's certainly one CFO of a FTSE 100 company who's very focused on a run on strategy because I believe that our pension surplus is actually a valuable asset for our shareholders.

But, actually, increasingly, we're having conversations, I'm having conversations with other CFOs who are in a similar position.

So, I think the entire mood, Peter, around, run on has actually changed over the last 18 months as the proposals have been exposed.

Peter Harrison

Thanks, Richard. Thanks, Mandeep.

Can we answer the next question?

Moderator: Thanks, Mandeep. Please lower your hand and return to mute. Our next question is from Bruce Hamilton. Bruce, please come off mute, restate your name, your company, and who your question is directed to.

Bruce Hamilton (Morgan Stanley):

Hi there. Thanks. Yeah. Bruce Hamilton, Morgan Stanley.

Thank you for taking my questions.

I've got three, as well.

Probably first for Peter, maybe the second two for Richard.

So, on the, you mentioned product innovation in the kind of retirement solution space.

So, I was intrigued by that and just wondered, given, you know, the changing trends, how are you thinking about products?

Because, you know, annuities don't solve for everything in the post-retirement market.

And in the new world, do you need to change your relationship with insurance and get close to insurance?

And how are you thinking about that given the dynamics and the solutions piece?

Second question, on fee margins, that you gave for the full year, is that guidance assuming any sort of continued improvement in risk appetite or sort of the similar mix of flows, as you saw in the first half?

And then secondly, on the costs, it sounded as though I think your comment was no more than £675 million of non-comps.

So, it's plausible that it could be better or delay in my misreading.

And then on the comp to revenue, you said you'd be keenly focused on it.

Is it that you think the risks are more on the upside, or you can manage to that or lower?

Thank you.

Peter Harrison

Thanks, Bruce.

Thanks for giving me a break as well, actually.

Give Richard some of the questions.

So, look, on product innovation, I think retirement solutions, post-retirement is the holy grail, right?

The product innovation in that space has always been, to my mind, a real challenge.

So, we've got to get that right.

There is I think there's two areas.

One is relationships with insurance, and the other is relationship with banking.

Because, you know, if you think about housing as a major asset, how we actually work that through into having a different set of lifetime savings thinking rather than from the narrow, this is a pension problem, and your insurances are something different and your housing is something different.

So, the the conversations that we're having with ministers is, look, let's raise ourselves up and talk about lifetime savings, and then there's a much, much richer conversation, and it expands our opportunity set quite significantly.

So, I think it's about individual products, but it's also about the context that we set it in.

And we've got a lot of work going on individual products, everything from, you know, micro-LDI right the way through to, entirely new ways of forking on it.

And I think there's the the market has not yet settled on what the right solutions are, and I think it's going toa be driven in part by the tax regime, in part by the solvency UK regime, and in part by the advice guidance boundaries which are going to be set soon as well.

So, lots and lots up in the air, but all with a mindset that what we've got isn't working well, for UK savers in terms of getting the right returns.

And I agree with you.

Annuities is not the answer to this question.

Richard, over to you on fee guidance.

Richard Oldfield

Thanks, Bruce. So, let's take the margin question first.

So, what we've assumed, is actually that the current mix of flows that we've had in the first half just carries on to the second half.

So, to your, point, we haven't assumed that there's any improvement in re-risking or shifting to higher margin products, just the same continuity of H1.

On costs, in some ways, thanks for asking the question because, I suppose what I said earlier was a little bit coded.

As I look at the first half, we had the benefits of some of the restructuring charge that we took, in 2023.

But also, I think what we actually benefited from is just a general good housekeeping about running a healthy business and people focused on spending money in the right way.

So that is totally going to continue as we go in through into the second half.

But as we talked about, I think before, we do have a H1/H2 imbalance in our cost base.

So, we know that we, for example, do more sales activity in the second half, so our marketing costs go up.

We know we've got a couple of technology contracts where we start to get inflationary pressure in the second half that we didn't have in the first half.

And we actually do have some opportunities for investment.

We have some costs, for example, that we'll pick up in relation to the FGC launch.

But I will be disappointed if we don't continue our good focus on costs through into the second half of the year.

I'm just not ready yet to come up with a lower guidance number, but we're working pretty hard to make sure that we do, if we can, beat that number on non-comp.

When I look at the comp to revenue ratio, what we're really trying to balance here is making sure we're paying people the right amount of money.

And I think there's an absolute level at which we can't pay people less.

And so, we're very focused on keeping talent, retaining the people that we've got, but at the same time, managing that headcount really tightly.

So, I feel pretty comfortable at the moment that 46% is the right number.

But actually, that will depend, as we always say, I think probably at the half year on how markets do, our performances in the second half, and we'll keep it under review.

And no doubt, Bruce will keep talking about it over the next few months.

Thanks, Bruce. Thank you.

Thanks, Bruce.

Moderator: We've got a question from Angeliki Bairaktari. Angeliki, please come off mute, restate your name, your company, and who your question is directed to.

Angeliki Bairaktari (JPMorgan):

Good morning.

This is Angeliki Bairaktari from JPMorgan.

Thank you for taking my questions.

First of all, with regards to Wealth Management, you mentioned, in your remarks, that you are seeing market share gains from the dislocation in the market.

What we have seen is also an increased level of M&A activity in the UK, sort of wealth and platform space recently.

Would you consider M&A in the wealth space in order to increase your exposure there, also considering the headwinds in the traditional sort of public markets, asset management part of the business, and also in light of the higher capital surplus now that you've raised the, the sub-debt.

Second question with regards to the FCA review on conduct risk and advice.

I think, Richard, when you made your comments there, you said you're looking forward to seeing what is going to come out.

So, can you give us a little bit more detail?

Is there any concern we should have that, you know, could result in any changes of how you run the business, and how you record, you know, interactions with clients?

And thirdly, just a clarification, with regards to the sub-debt interest, where is that booked in the P&L, please?

Thank you.

Peter Harrison

Thanks, Angeliki.

If I take the first one and then Richard will pick up the second two.

Wealth management market share gains, we're confident of those.

I think there has been quite a lot of M&A, both in the discretionary space and in the platform space, and in the advice space.

And there's an awful lot of private equity roll-ups, which are sort of coming to the end of their life, which is going to be quite interesting to see what happens next in that space.

We've said that wealth is strategically important to us.

It's up to 27% of the group.

It's growing quickly.

We've made tuck in acquisitions there in the past.

You know, you recall that we bought Hoare and Co.'s wealth management business a while ago.

We bought the Sandaire business.

I think where we can find tuck-ins where we can take out the cost at the back end, we can bring the advisers in.

We can retain 97, 98, 99% of clients.

Those feel like really good deals because they come in at a 60, 70% margin.

So that feels like really good business, and we're always going to be alive to those.

There just aren't many of them around.

But I do think that what we're not really looking at is big transformative deals in wealth because I think that they prove to be a lot harder.

And, frankly, there just aren't many targets to do.

But we will always be alive to thinking about how we get wealth as a larger percentage of our group up because we think the dynamics are really good.

So, I hope that helps, Angeliki.

Richard, do you want to take FCA guidance? Cool.

Richard Oldfield

Thanks.

So, Angeliki, on the FCA guidance,

I think what I said earlier was that I'm pretty comfortable with where we are.

And what we've done is quite an extensive review to look at our, potential exposure.

Of course, we feel pretty comfortable because we actually have got all the systems in place to record when we actually saw clients and the nature of their advice that we gave.

And I think that's the benefit of having that record keeping system.

But, of course, we're always going to have a few cases where we might actually have some exposure.

But I can assure you there's absolutely nothing material at all.

I think the reason I said I'm looking forward to the FCA guidance is because from an industry perspective, we need clarification about the expectations because we're all making assumptions about what we think is acceptable, and we need real clarity from the FCA about what their view of that is so that we can move forward and make sure that we actually have done everything that they would expect and our customers would expect to put them right.

But anything from a Schroders perspective, actually, I can assure you is sot material.

When I look at the sub-debt it's actually the interest cost is sat in the interest line that's below operating profit.

At the half it was round about £700,000 worth of interest.

Actually, when we look forward for the rest of the year, it's about £2.5 million.

And the reason is those sorts of numbers, if you try to do the math is, of course, we've taken that cash and at the moment, we have it on deposit.

So, they're the net interest numbers I've given you.

Oh, and the question was where was it booked? Where was it?

In the interest line below operating profit. Perfect.

Hope that helps, Angeliki.

Thanks, Angeliki.

Moderator: Just a reminder, if all participants could please go on mute unless you're asking a question. We've got a question from David McCann. David, if you could please come off mute, restate your name, your company, and who your question is directed to.

David McCann (Deutsche and Numis):

Great. Thank you for taking my question. Two for me.

One for, one for Peter, one for Richard.

It's oh, sorry.

It's David McCann here from Deutsche and Numis.

So, first question directed at Peter is, what do you think the key challenges and opportunities will be for your successor given where the business is today and indeed the state of the industry?

That's the first one. And then the second one for Richard.

Could you maybe - apologies if I missed this - could you just remind us what your updated guidance is for the effective tax rate and performance fees in 2024? Thank you.

Peter Harrison

Thanks, David. And thanks for the question.

Look, for me, strategically, I think the way in which we've moved towards, you know, what we call fast flowing water, private markets, wealth solutions, feels to be very much the right thing.

And to do that by making sure that we've got the cost base in line is right.

But I think that as we rebalance the business and make the pivot towards those faster flowing waters it's, you know, it's critical that we keep up on products innovation.

We make the most of the democratisation of private markets.

We make the most of embedding ourselves close to customers in wealth, etcetera.

And also managing the challenges of a public markets business.

And, you know, those challenges don't go away.

They will always be there.

They just become a smaller part of the overall group.

So, for me it's managing that transition, which is the key thing, and managing the cost to be reflective of the fact that there are some headwinds in that business, and we've got to bring down our costs accordingly to do it.

So, the I would suspect there's nothing other than the same sorts of things that we've both been talking about for the last eight years, nine years, on this call of just making that pivot and driving it through successfully.

Richard?

Richard Oldfield

Thanks, David.

Actually, our tax team may be delighted that someone's asked a question about the effective tax rate.

So, we anticipate that the effective tax rate for the full year is actually the 22.8 that we've shown in the half year.

And that's because we actually gaze into the crystal ball and work out what we think it will be, and then we use that for the half year.

So, you can assume what we've told you for the half year carries on for the for the rest of the full year. And the second thing on the guidance on performance fees.

So we didn't change the guidance but I think what I said is given where we are at the end of the first half, we are going to have to see quite a big movement in both performance fees and carry to reach that £75 million that we told you we had included in in our models.

So, I think we're going to be probably on the downside of that, right, a little bit off.

But I think given the given the difficulty of forecasting that, I haven't updated what we've got in the model internally.

Thanks, David.

Peter Harrison

Any more questions?

David McCann (Deutsche and Numis):

For the future years, is 22.8 still a good one to use for future years?

Or what do you think the, you know, right medium-term number would be just to follow-up on that?

Thank you.

Richard Oldfield

So, David, I think there's two things going on with that with that number.

The first thing that's causing an impact is remember compared to the prior year, we had the full impact of the tax rate change and we've got a mix in revenues and that's likely, therefore, to continue going forward.

So that's probably about two thirds of the of the annual impact.

About a third of that impact is all the technical boring accounting stuff, I'm sorry to say, which is we have these deferred tax assets that arise from giving our stock awards.

And suddenly when our share price comes down, our deferred tax asset comes down.

So, that impact will moderate slightly as we go forward.

So, I hope.

So, I think as you look forward, I'm not going to give you a long-term guidance for the tax rate, but it's going to be in that same region. But, again, maybe to the downside from the 22.8%.

I should say go to my downside and upside right.

Probably better than the 22.8%.

Lower than 22.8%.

Thanks, Richard.

Moderator: Thanks. We've got no more questions online.

Peter Harrison

Brilliant.

Thank you all for all the questions, and some great insights from you.

So, thank you for that. And I hope you all have a very good summer. So very best wishes. Thanks.