Schroders

Schroders Half-Year Results 2023

Transcript

Thursday, 27 July 2023

Peter Harrison (Group Chief Executive):

Good morning everyone. Welcome to Schroders results for the first half of 2023. I'm Peter Harrison, Chief Executive and with me is Richard Keers, our Chief Financial Officer. We know it's a busy reporting day so let's get started.

We will follow the same format you're familiar with. I will give you a quick overview of how our business has performed and strategic progress. Then I'll hand over to Richard to walk you through the financials in more detail before coming back to a quick look at the outlook and then Q&A. Please don't forget to raise your hand on Zoom, if you'd like to ask a question later.

Our strategy has enabled positive NNB in a challenging environment

You'll have seen the results we announced to the market this morning, and I have to say, we consider these to be a resilient set of results considering the industry headwinds, demonstrating the strength of our business model. Our diversification and pivot towards higher growth areas and increased longevity has again, enabled us to perform well.

Headline numbers are operating profit of £341.4 million, positive net new business of £5.7 billion, and an unchanged interim dividend of 6.5 pence per share.

On flows, within the £5.7 billion, particularly pleasing was the combined NNB generated from our strategic growth areas in wealth, private assets and solutions. I will come back to this and break down flows for you in more detail in a moment.

On the AUM side, even with FX reducing our AUM by £30 billion, we saw positive market returns, investment performance and NNB increase total AUM by nearly £19 billion, and we ended June with assets under management of £726.1 billion. To my mind, that reflects the strong performance of underlying business, and Richard will give you a bit more context about the market dynamics in the first half in a moment.

I've talked in the past about the benefits of having four different businesses under one roof and the synergy benefits we have seen from the unique combination of capabilities, and I'd like to just give you a few examples.

Self-reinforcing momentum

Our relationship with Lloyds Bank now might seem focussed in Wealth with our JV, Schroders Personal Wealth. But it's worth remembering originally the partnership began with wining the SWIFT mandate and Solutions running their balance sheet assets. Fast forward, and we've seen entirely new benefits come through from co-locating our regional Wealth offices near the Lloyds Commercial Banking hubs. That is driving up that organic growth rate we're seeing in Cazenove Capital. Those referrals are one measure of Cazenove Capital's strong brand name and exceptional client service. The other is our retention statistics – we've had over 99.4% adviser retention and 99.6% client retention last year, which both speak volumes about the quality of that business.

So, there are important synergies with Lloyds Bank across both Wealth and Solutions, it's an important strategic partnership for us.

The next one is a really interesting one – we've have launched the UK's first Long-Term Asset Fund, Schroders Climate+. In addition, we also received approval to launch the first renewables and energy transition dedicated LTAF. That was really only possible due to our strategic acquisition of Greencoat last year and is timely given the Mansion House reforms to the defined contribution market announced earlier this month. We are combining Schroders Capital's expertise with access to the global distribution capability and sustainability leadership in public markets. In other words, thanks to the flywheel effect, we are right at the frontier of innovation in the public-private space to meet the evolving needs of our clients.

And my final example. As you know we announced last year the investment partnership with Lloyd's of London the insurer. In this half we announced the launch of an innovative solution for the Lloyd's of London platform - the Private Impact Fund. Now this draws on the advisory expertise of our Solutions team and the private markets capabilities of Schroders Capital, who will manage an initial allocation of £250 million for sustainability–focussed assets. Being able to create this type of solution for Lloyd's of London takes a breadth and depth of expertise that not many in the rest of the market are set up to provide. This is the flywheel effect in action at a firm-wide level, driving future growth whilst making our business more resilient.

Now I spoke about this flywheel effect specifically in relation to Schroder Wealth Management briefly in June at our Schroders in Focus event.

Continue growing one of the UK's leading Wealth Managers

For those of you who weren't able to join, I thought I would just recap the key messages from our capital markets day. We outlined how we had built a leading-UK Wealth Manager. Our Wealth business enables us to stay close to clients in a trusted advisor capacity, and that, combined with more stable margins, several distinct strong brand names, and a compelling growth proposition. Now Wealth division is intrinsically valuable to us and more valuable because of the interlinkages with the rest of the group I've just described. We outlined refreshed forward-looking targets for the group, first of all to increase our expectation of growth, increasing from 5% to 5 to 7% NNB per annum. We also believe that the profitability of this business will have a CAGR of 10% from 2022 to 2025, before the impact of markets, FX and acquisitions. The recording and transcript of the event is on our IR website in case you do want to catch up on the rest of the detail behind our conviction in that business.

Our purpose is to provide excellent investment performance

Now, the business wouldn't be a success if we weren't meeting our key deliverable: to provide excellent investment performance to our clients through active asset management. This year again, we have had strong investment performance, with our three-year KPI standing at 77% of assets outperforming their comparator. For 5 years, that number stands at 73%. Investment performance over one year was up to 59% impacted by the rotation last year. You'll also see that our three-year longevity this year has increased again. Increasing longevity is a key goal of ours, as we move to areas where there's a greater differential between gross and net flows creates a stickiness of assets.

Now, let me now take you through the flows as they stand today.

Strategic areas of growth driving positive net new business of £11.8 billion

In total we generated £5.7 billion of NNB across our businesses excluding JVs and associates. Importantly, we had combined NNB of £11.8 billion from our areas of strategic growth. These areas, over the medium to long-term are the areas we think we'll see consistently higher, more predictable flows and protect on the downside in turbulent times.

Our public markets business at first glance looks more impacted by the industry headwinds but given the "risk-off" environment in the first half and the significant outflows from active funds from across the industry, I thought this was a particularly resilient result. Let me go through the details by business area.

Wealth Management delivering sustained NNB growth

First of all in Wealth Management. We've had a standout first half. We've seen growth come from across our businesses; and total net inflows of £3.7 billion were the result of £2.4 billion of Advised, £0.4 billion of Platform and £0.9 billion of Managed NNB. On top of that SPW had positive inflows of £0.2 billion. Now, these charts are just the business area, but if you layer on SPW, our total Wealth management AUM were up 4% since the end of 2022 to £116.3 billion at the end of June.

We're keen to leverage our existing operational platform and streamline our resourcing strategy in order to increase profitability. We will be relocating a number of the roles from the Wealth service centre in Zurich to our operations hub in Horsham in the UK. This saving will generate an opportunity to improve profitability of this business – Richard will cover the specifics on that in a moment.

Schroders Capital: a complete private markets offering

As you know, private markets have experienced an industry-wide slowdown in the first half of this year – that's not news. Despite the asset repricing we've seen and the pressure on fundraising, in total, our private assets business, Schroders Capital, generated fundraising of £5.3 billion of new assets. Non-fee earning dry powder was £3.9 billion and NNB was £1.8 billion. We now got a broad private markets business that is well placed to create multi-private asset solutions for a range of clients. So, as a result, we remain confident in this business and given the market dynamics and pipeline we see today. We are retaining our guidance of £7 -10 billion NNB, albeit that will likely come in at the lower end of this.

Solutions: inflows demonstrate strong reputation

Now, we talked previously about how we navigated the gilt crisis well in Q4 last year and I'm pleased to say that in Solutions, the flows we said would come back have done exactly that, with £6.3 billion of net inflows in the first half. AUM is marginally up at £212.1 billion, but that is following the hikes in interest rates decreasing the value of our liabilities under management. We get a lot of questions around the potential loss of UK DB clients as they move to buy-out - at the moment what we're seeing is with how healthy our pipeline is looking over the next year, and the strength of our reputation with intermediaries, the opportunity for us to take market share is greater than any impact from outflows we anticipate with insurers. We continue to have big ambitions for this business and the valuable part if plays in delivering the whole of the firm to the client.

Mutual Funds performing robustly given market sentiment

In our more traditional businesses of Mutual Funds and Institutional there are a couple of things to note. Firstly, in Mutual Funds, we've seen continued inflows into Thematics and Sustainability has been a real testament to how we have evolved our core business into higher demand areas. Our partnership with Hartford in the US continues to be a driver of new growth. We had total net outflows of only £0.8 billion in the Mutual Fund space, and to my mind, seeing positive net new business in Europe and the US is a particularly pleasing outcome. Given the "risk-off" environment we've seen elsewhere in the sector. I think this is a great result.

On the Institutional side, we've had a couple of larger mandate losses and outflows stood at £5.3 billion. These were primarily from lower-margin mandates which has led to an improvement in the margin for that business area.

Accessing China's long-term future market growth prospects

Before I hand over to Richard, I wanted to say something on the market opportunity in China – it's a key area of geographic expansion for us. We've been in China for many years, and today go to market there is through a comprehensive set of licences to serve the domestic marketplace, and through our successful cross-border business. In June, we received approval to begin operating a wholly-owned Fund Management Company, which we expect to be revenue generating towards the end of the year. In total, we now have four ways to access the onshore domestic market in China. Our two BOCOM partnerships, the existing FMC JV and the WMC, which majority owned and was launched last year. Then, on the wholly-owned side, our Adveq private equity licence and this new FMC.

This year the environment has been more challenging given the fixed income disruption and the effect of the rate hikes on investor sentiment. We've seen total outflows from associates and JVs of £5.3 billion for the half year. However, what I wanted to demonstrate with this chart, is that we are focusing on the long-term build out in China to partake in the potentially significant market growth there. To remind you of the scale of the opportunity - China's personal financial assets are predicted to grow at an average annual rate of 9% from 2022 to 2030, reaching RMB 475 trillion by 2030. We want to be part of that growth and we have all the licenses in place to do so.

That's it from me on the strategic update and information on flows, I'll now hand over to Richard to cover the financials and come back to talk about the outlook.

Richard Keers (Group Chief Financial Officer):

Thank you, Peter, and good morning everyone. As you know it's my last results announcement and it's a real shame you weren't able to make it in person.

Results summary

Now let's move onto the numbers. We believe these are a resilient set of results. I'm particularly pleased by the progress made by our strategic growth areas the revenues from which grew by 5% year on year. This helped us deliver net operating revenue broadly in line with last year and an operating profit of £341 million.

Now let me move on to the detail. In doing so it's useful for you to understand how the market dynamics have impacted us and the best way of doing this is by looking at the development of our average AUM.

Average AUM trend

The slide in front of you shows our average AUM excluding associates and JVs for the last three half-year periods. As you know markets were particularly strong at the start of last year. That was followed by significant falls coming through in the second half of the year. This meant that the starting point for our AUM in 2023 was considerably lower than at the start of 2022.

This year we have delivered growth both through NNB and investment returns, but it's been hidden by the effect of F-X movements and our average AUM has remained flat.

If instead you look at our average AUM for the current year on a constant currency basis as shown by the dotted line you can see the growth, we have generated.

Net operating income: year-on-year comparison

Now let me move on to net operating income which shows how these dynamics have affected our results. This first bridge compares our net operating income year on year.

But as we've just seen on the average AUM slide this doesn't help explain our results for **this** half year as the market and F- X movements you can see in front of you largely relate to the second half of **last** year so they were already reflected in our revenue run rates at the start of the year.

Net operating income: movement since H2 2022

So, this bridge which uses the second half of last year as the starting point provides a clearer explanation of the development in our income. This highlights how the adverse F-X movement of £34 million has more than offset the benefit of both the investment returns and NNB we have generated.

And this is the key driver behind our net operating income for the first half of 2023.

Before I move on let me touch on performance fees and carry as that's where the benefit of the investment returns, we have generated does come through. For the first half of 2023 we generated £33 million of these fees. That's an increase of £11 million on the same period last year. In light of that and looking forward to the full year there's likely to be some upside on the guidance on performance related fees I gave at the start of the year. Next, I'll cover the performance of our operating segments and then come back to the performance of our Associates and JVs.

I'll start with the Wealth Management segment.

Wealth Management

Average AUM for Wealth increased by 2% to £101 billion that's due to our strong flows which more than offset the impact of the fall in markets in the second half of 2022.

Net operating revenue increased 8% to £210 million. This includes our net interest margin, which is an additional revenue stream for us. Given rising interest rates these revenues increased by £17 million to £30 million. Overall, the net operating revenue margin increased by 2 basis points to 42 basis points.

Let me break this down further. Our net operating revenue margin for our Advised business was 58 basis points that's a bip higher than my guidance at the start of the year. The margin for our platform business was in line with my guidance from the start of the year. And for our Managed business the margin was a bip lower than my guidance due to a change in the mix of business. I expect these net operating revenue margins to stay at these levels for the full year.

Now let's move on to the Asset Management segment.

Asset Management

This was more significantly impacted by the market dynamics I talked about earlier. And average AUM reduced by 4% compared to the same period last year. This predominantly impacted our public markets business and Solutions. And overall, our net operating revenue reduced by 2%. Schroders Capital was somewhat insulated by the broader market factors. Its revenue grew by 12% compared to the same period last year.

Within this real estate transaction fees were down £8 million because of reduced deal flow although this decrease was more than offset by the increase in performance fees and carried interest which grew to £21 million as a result of strong investment performance. Our net operating margin for Schroders Capital excluding carried interest and performance fees was 58 basis points. This margin includes real estate transaction fees and as those fees have fallen the margin is lower than the guidance I gave at the start of the year although we expect this to increase by a bip for the full year.

The margin for Solutions, the third of our strategic growth areas, was 12 basis points. Which is in line with my guidance at the start of the year and I expect it to remain at that level for the rest of the year.

Moving on to our public markets business starting with Institutional.

Peter already talked about the institutional net outflows those were from lower margin mandates leaving us with a higher quality business and as a result our net operating revenue margin excluding performance fees increased to 35 basis points. That’s a bip higher than my guidance at the start of the year and I expect the margin to stay at this level for the rest of the year. The net operating revenue for Mutual Funds was 70 basis points which is in line with my guidance at the start of the year.

And again, I expect it to stay at this level for the full year.

Now let me move on to our Associates and JVs, which is the final component of our net operating income.

Interests in Joint Ventures and Associates

These businesses have not been immune to the wider market environment. In the first 6 months of the year our share of profits reduced to £34.9 million a 3% decrease on the second half of last year principally due to lower AUM and FX movements. Now moving onto our operating expenses.

Operating expenses

We continue to have a laser focus on our expense base.

This slide shows the impact of the actions we are taking to reduce costs. Despite the inflationary environment and the impact of last year’s strategic acquisitions our costs have reduced. Let me touch on compensation costs before moving on to non-comp. We are accruing compensation costs at 46% of net operating income but as always bonuses will be finalised later in the year based on market conditions.

For non-compensation costs as you can see these have trended down since the second half of last year.

For the full year we expect them to be around £645 million that’s £15 million lower than the guidance I gave at the start of the year because of our continued focus on costs. Let me now talk you through two key cost saving initiatives we have made.

Firstly, the cloud programme. I've talked to you about the many benefits of this previously. From a financial perspective this includes the avoidance of £100 million of server update costs that would otherwise have been incurred and the mitigation of IT inflationary pressures more generally. In addition, as we no longer need to maintain as many data centres completion of the programme has allowed us to restructure our team with a net reduction in headcount of 70. The second key initiative is the relocation of our Wealth Management service centre from Zurich to our operational campus in Horsham. The move means we will no longer incur lease costs for the existing office with zero incremental premises costs in Horsham. Given the difference in average salaries between the two locations the move also provides us with a significant saving in compensation costs. These cost savings will help us realise the 10% annual growth target we set at the recent investor day.

For your models it's important to remember that this target growth rate excludes any market growth or FX assumptions. Both of these restructuring initiatives required us to recognise one-off expenses in our half year results. These principally comprise redundancy costs and have been separately presented.

Lastly, before I sum up, let me update you on our capital position.

Group Capital composition

We had a capital surplus of £643 million at 30 June. It's worth me adding that additional capital requirements of around £45 million which become applicable in the second half of the year are not reflected in these numbers. As I said previously, we will continue to hold a level of capital that allows for organic investment and enables us to meet our dividend policy.

Profit before tax

Now to sum up. Our operating profit for the period was £341 million. Our central costs which reflect the costs of the Plc were £23 million. These were more than offset by net gains on financial instruments and interest income of £24 million. That's in line with what I said in March in a typical year these gains will broadly offset our central costs. You can see the same was true in the second half of last year. This gives us an underlying profit before tax of £342 million a 2% reduction compared to last year. Our acquisition related costs increased to £43 million reflecting the impact of the transactions that we completed in the first half of 2022. These costs principally include the amortisation of intangible assets and expenses related to contingent consideration. For the full year we expect these to total around £90 million. We recognised restructuring costs of £24 million these mainly relate to the items that I explained earlier. Our effective tax rate on operating profit was 19.5% which reflects the increase in UK rates.

This meant a basic operating earnings per share of 16.8 pence.

In light of these results, we have maintained our interim dividend at 6.5 pence per share.

In the 10 years that I've been here I'm proud of how we have transformed the business from being a traditional asset manager to a broadly diversified investment firm providing greater stability and resilience for our stakeholders.

That transformation is reflected in these results and positions us well for the future.

Now back to Peter.

Outlook for 2023 and beyond

Thanks, Richard. Let's talk quickly about the outlook and then go into Q&A.

As ever, I'm not going to try and predict markets from here on out for the rest of the year, but I do want to focus on the long-term. Importantly for us, we've had a year where we are bedding in the strategic acquisitions, navigating a changing market environment, but our goal is really to push ahead with growth. In practise, that means continuing to deliver excellent investment performance for our clients, it means accelerating operational efficiencies, and we've covered a couple of the programmes today that are going to help us achieve that goal. It means delivering on our growth ambitions we have for those areas of fast-flowing water in Wealth, Solutions and Private Assets. We are confident we'll come in in line with the guidance we gave you for the full year for both Schroders Capital and Wealth Management, likely averaging out in the middle of their respective ranges if you were to combine them.

That's it from us in the room, we'll now go to questions. Please remember to raise your hand if you'd like to ask a question. State your name and firm for the record that would be great.

Mike Werner (UBS): I think this question is for Richard. Again, Richard, it's been a pleasure having you as CFO. You will certainly be missed and thank you for all the help you've provided in the past seven years that I've been here, and you've certainly been in that role longer than myself, so thank you. Just looking at the restructuring. Just wanted to confirm that the restructuring charges, £25 million that you took from the first half, will be all of the restructuring charges that you expect from these two initiatives, or is there anything we should expect in the second half? And then just thinking about the potential cost saves here, can you provide a little bit more clarity as to how much that lease in Zurich costs on an annual basis? How many people perhaps were located in the service centre in Zurich? Thank you.

Richard Keers: Taking the first question in terms of do we expect anything more from these two initiatives in the second half? No, this is accelerating all those costs into the first half. Some of those redundancy costs in Switzerland will be incurred in 2024, but we need to be booking at the half year because we've announced that programme. So, no more from this. But we will always continue to look for opportunities to, as Peter says, selectively address cost opportunities where they arise, but on a very targeted basis rather than across the board. In terms of the service centre, it is a significant operation. There are no net head saves. We are simply moving those heads from Zurich to Horsham. There's a period of overlap as we build out the capability in Horsham, but we expect that to be fully onboarded by the year end. So, there's no net head saves. It's very much just moving from one location to another.

Peter Harrison: Thanks, Richard. Just one thing I would add. We think it's really important to be a healthy organisation and keep on moving. But importantly, we're not talking about making a 5 to 10% across the board cut. We don't think that leads to a healthy organisation, but what we do want to do is keep on creating efficiency and then growing into that capacity we've created. So that's very much our mindset on costs. Any next questions, please?

Bruce Hamilton (Morgan Stanley): If I could add my thanks to Richard and congratulations on a terrific career at Schroeder. So, hope you enjoy whatever you do next.
In terms of my question, so one on the sort of institutional business, so clearly good that what left was lower margin. But can you give any sense on the outlook and any colour around why you saw outflows? Was it anything to do with performance? Was it more kind of asset class or in more kind of traditional areas that have shifted to sort of thematic or sustainable linked to that, maybe just within thematics and sustainable, is there any colour on where you're seeing demand? I mean, I guess we've anticipated that security themes probably grow in popularity and some of the tech disruption reduce and then climate transition range, a key one, but any colour there in terms of shifts within kind of thematics and then a final one just on the Peter, on the sort of flywheel effect you talked about. Obviously, it feels like you've got all the ingredients to drive growth in the strategic areas. But where are you in terms of the evolution of your kind of distribution approach and how much could that add to the kind of future growth and over? When might we see that in terms of distribution? Turbo boosting that?

Peter Harrison: Thanks, Bruce. Let me try and take both of those on the outflows. In institutional, I basically focused in two areas. About two thirds of them were in equities, a third of them were in fixed income. The biggest individual moves was a couple of clients which were big, both of which went passive. Both of them were Asian based, those highly fee sensitive clients who were managing a fee budget. And I think that's a normal course of business. So, from my sense, that constant iteration of making sure that we've got long term sticky money becomes ever more important when you see those changes. But those were in Asia. There was one in fixed income. Again, similar characteristics, but that was more orientated towards our poor performance in that particular team. In the sustainable areas, I'm seeing across a lot of areas, so the repricing in renewables, we're seeing a lot more interest in climate transition, particularly wind and solar, where we've got a lot going on. As you'd imagine, post Greencoat global sustainable growth has been a big selling fund for US energy transition, food and water. So really across the range where you find these pockets of interest and then you can exploit them.

So, I would say, Bruce, it's about product design and then hitting the right moment in time with that product, the one that we're still working through and too early to know, but is the launch of these long term asset funds which directly address the mansion house changes, so really important for the DC market. And we'll see, I think, more of that. In the second half of this year and the first half of next year on the client group, there's been a lot of change gone on there, so we've implemented all of that in the first half. We've massive change to account planning, a move towards really boosting our segment representation, so across pension funds, insurance, wealth and sort of long term assets like endowments. So really being focused on that, which enables us to target messaging much more specifically to client type, we're starting to see the benefits of that already. We've got a couple of really interesting examples of things that are coming through. So, I would hope, Bruce, that during the second half and again into next year, we'll see that continuing to build momentum, but it's certainly something that we're working really hard on and I think that the next big change will be about the distribution of our intellectual property to clients in a really specific way.

I hope that helps. Let's go on to the next question. Thanks, Bruce.

Haley Tam (Credit Suisse): Good morning. It's Haley Tam from Credit Suisse. Hopefully you can hear me. Like a stock record. Congratulations as well. For me to Richard on I can't believe it's been ten years but thank you for all your help over that time. And again, all best wishes for the future. If I can ask a couple of questions, please. The first one, just to follow up on the costs and the cloud migration completion, could you remind us, please, about how to think about those costs in the future? I seem to think you had talked about in the past some double counting of costs, so I wondered if there's any sort of specific reduction, we should be thinking about going forward into 2024. And then secondly, in terms of surplus capital, could I just reconfirm that? A maximum of about 1 billion pounds is still a good benchmark for us to think about for you before any potential for possibly shareholder returns, buybacks, et cetera. Thank you very much.

Richard Keers: Haley, I'll take those. So, on the first one, on costs, on it largely, this programme is about avoiding future costs and we were in a position where we were going to have to deploy broadly 100 million on server upgrades. And we took the decision that was not the right way to go. And the operational benefits of the cloud, the greater capabilities that gave us, it was the right way to go. The double costs have largely gone. We do expect some savings to come through fully in this year end, and hence the guidance I've given at six four five for non-comp reflects that. But looking forward, it's about avoiding those significant inflationary increases that we would otherwise have seen. So just getting the cost model optimised for the future. In terms of the billion surplus capital, I don't see that changing. It's 643 at the half year I referred to. There's some changes in capital rules which mean actually from the 1 July it's a little bit lower than that, but if it's over a billion for any period of time we would have to have a very good plan of what to be doing in terms of deployment back into the business or returning that to shareholders.

Hubert Lam (Bank of America): It's Hubert Lamb from bank of America. Firstly, I'd also like to thank Richard for all his help over the years and I wish you all the best in the future. Just two questions for me. Firstly, on Schroders Capital, you still seem very confident that you achieved the 7 to 10 billion of inflows for this year. Why do you think that's the case? Given your starting point today, do you expect a reopening of the market in the second half? Just wondering what your thoughts are around that. And secondly, just wondering on potential risk to fees and margins in SPW, we saw today that St. James Place is cutting asset based fees on accounts because of consumer duty. So just wondering any potential impact from the FCA on consumer duty regulation? Thank you.

Peter Harrison: Thanks Hubert. Yes, so we've had a really good look at the pipeline, and I think that the challenge is that fundraising is taking longer certainly at the moment and getting clear and getting mandates over the line. For example, we had a big win at the back end of last year that won't be signed until probably September of this year. So that's just the signing process. So, there is some leads and lags in this, but we've looked at it and we think that from what we can see, getting to the bottom end of that range is a doable thing. And I think we're really keen to not let go of - it's a long term range that we want to be able to grow in, but we do think we can get there this year and I think particularly in private equity, there's some good tailwinds there coming through. So that was that one. On fees and margins, when we launched SPW we launched it with a future looking price structure, so it was priced below the market because we did feel that there was going to be sort of further pressure on there. So, we don't see any consumer duty pressures coming through on those that we've already got to a position where we think it's highly priced competitive versus peers.
I think that's in good shape. Thanks Hubert. Next question.

Angeliki Bairaktari (JP Morgan): Good morning and thanks for taking my questions. It's Angelique Bairaktari from JP Morgan. And I also want to wish all the best to Richard. Two questions on my end on Schroders Capital. You had around 5 billion of gross fundraising in the first half. What sort of gross fundraising would we need to see in the second half in order for you to be able to achieve the 7 to 10 billion net flow target that you have set out for this year? And just to come back to Hubert's question on customer duty, I do get the point on SPW, but I guess more broadly with regards to the Cazenove business as well, is there any risk there of a cap on fees? Because what we have seen coming out of St James's Place this morning is actually a cap on fees on certain products that customers are holding for more than ten years. So, for those pension products or perhaps fixed income products that some of the wealth customers have been holding for more than ten years, is there any risk that you feel you may have to do something similar there? Thank you.

Peter Harrison: Perfect. Clearly there's a gap between just coming back to the private asset question. Angeliki, the fundraising number, obviously there's some tail down pressures, there's some deployment pressures, but if you thought about round numbers, we needed about another five in the second half because of what we anticipate in terms of deployment and other bits and pieces that would get us to the number. So much of it's about the deployment as it is about raising the money. So, again, these are lots of judgments included, and I hate trying to forecast fundraising because that's the hardest thing of all. But say, when we did it overall in the round, we thought that the bottom end of that range was the right way to guide you in terms of Caz. I think it's fair to say that the Cazenove business is quite a different business from SPW, and there's lots of day to day discretionary management. We don't feel under any pressure from regulatory change. We've obviously been through the consumer duty really actively. We feel very much on the front foot on that. But overall, there's no impact to any of our numbers on SPW, on Benchmark or on Cazenove, either for time or for absolute level of fees.
We've been in our subtle business, our unit trust business, we've been presenting our value assessments, we've made changes in that range. Those have been in the normal numbers that you've seen, and those value assessments are all public, but they haven't been in any way material to those businesses. I mean, it's important, I think, to get ahead of these things before you feel pressure from Stratford so we're feeling a good place on that. Thanks, Angeliki. Any further questions?

Mandeep Jagpal (RBC): Good morning, everyone. Mandeep Jagpal, RBC Capital Markets. Thank you for the presentation and taking my questions. And thank you, Richard, for your clear guidance over the years. Three questions, and I think that they're all for Peter. First one is a follow up on Schroeders Capital. Peter mentioned a nearly 6 billion pipeline for Schroeders Capital, but the mandates are taking longer to fund. So, I was wondering how that pipeline compares to your pipeline at the start of the year, and are you able to provide any insight as to which segments of the institutional client base you're seeing the demand coming from? Second question is on solutions. You talk about your intention to grow the market share here. Are you referring specifically about LDI mandates or Fiduciary or both? And what is your current market share and how much do you want to grow it by? And then the final question is just on the potential changes to the DB landscape. A few weeks ago, the Chancellor launched a call for evidence for ways to increase productive finance from UK DB schemes. Appreciate it might be a bit early, but what are your thoughts on this and what could the implications be for asset managers such as Schroders if something.

Peter Harrison: Like this was implemented brilliant? Let me take you through on the Schroeder's Capital piece. Segments are still performing well, particularly Europeans, where the denominator effect was much less pronounced than it was elsewhere. And the need for them constantly to redeploy capital is very much there. So, DACH region is probably the strongest. But bear in mind, we're here taking market share, so we've seen growth in Asia, we're also seeing opportunities in wind and solar, which we're working through, which is both in UK, Europe and in the US. And the pipeline overall, it's not materially changed. I think it's tougher going in real estate, probably, and probably more in renewables over time, but that's a reflection of sentiment in the real estate markets. But overall, I think we feel, broadly speaking, we are being able partly it's good performance, partly it's the breadth of offering partly it's being able to offer these holistic solutions, of knitting together lots of different things. But as I say, I don't want to get over our skis in optimism, but I do think there's plenty of people still activating programmes. And the other thing is that as markets have moved up, they've taken some of the pressure off the denominator effect that we were seeing at the end of last year solutions that's across OCIO Fiduciary Management and LDI and some other bits and pieces as well.

So there really is if we go over to the UK for a moment, there was a major hiatus after the Gilts crisis and everybody sort of went away. Every consultant had to redo their rankings, every group of independent trustees wanted to rethink what they were doing and the market sort of froze for several months. What you're now seeing is a very large set of churn going on in the markets as people say, okay, we've made our decisions, now we need to go to market and reposition. And it may be they're going to move from LDI to Fiduciary, which is a better way of matching your growth assets and having a better governance model. Maybe they're going all the way to OCIO, but we're seeing the pipeline across all of those areas grow. That is a materially larger pipeline than it was a year ago and six months ago again. It's quite lumpy and when it will fund again is hard, so we won't recognise it as net new business until it's funded. So, the timings on these things are hard. So, I'm not making a prediction about the second half, but if I look over the next 1218 months, I think we feel very good about what's coming through in that pipeline.

Defined benefit I think, is a really interesting question. So, at the moment in the UK, this is a very quiet market and you've got 5100 DB pension schemes. About 4,000 of them are less than 100 million. And you've got a lot of proposals around consolidation, so that's a big opportunity. The second is you've got some new wording around solvency, two coming through. So, the insurers being able to buy more risk assets, that's another opportunity for us and how we play, particularly our private markets capability into that. And then you've got some of existing clients who are doing an awful lot of buyouts of DB funds that we're getting assets from. So, we're on both sides of this trade, but I think the reality is this is a very active moment in a defined benefit space. We are in the right places with the right performance, the right governance, a very clean track record through the Gilts crisis, so it is an area where we are expressing some optimism. Is there any more questions?

No more. So thank you all for your question. You've all passed on your thanks to Richard, but after 20 results, I want to pass on my thanks for your transparency and candour and helping our management with analysts go so smoothly. So massive thanks from me to you, Richard. You'll have seen the theme on our branding change slightly this time in honour of Richard. The next ten years is going to be about cycling, so that's what the picture is all about. But listen, thank you all. Hope to see you in person next time at our upcoming interactions. So massive thanks from me and I'm sure Richard will invite you to the party.

Richard Keers: Thanks, yeah. Look forward to seeing you bye.