Morning everybody. It's nine o'clock, so we'll make a start then. Welcome to the Schroders half year results for 2019. We're going to follow the normal pattern. I'm going to talk a little bit about the overall numbers and flows. Richard will then give some financial detail and then we'll come back and take any questions that you might have.

For the first half, I don't think there's much in these results which will surprise people in this room. We've continued to invest behind the strategic initiatives we've talked about, particularly private assets and wealth. We've continued to work hard on our Lloyds joint venture and we'll talk more about that but that's made very good progress in the period and then clearly the first quarter of the year was very tough from a risk-off environment, but actually over the period we've seen I think pretty small number of outflows considering the environment, but we'll come back and talk more about that.

So if we look at the overall numbers during the period, our net income was down 5% to £1.032 billion. Markets during the period were down on average 2% which was the key driver of that. In fact markets rallied very strongly towards the back end of the period but it was very much a May-June effect, so the assets under management at the end of the period were actually £444 billion which was up 9% over the start of the year. That's over the start of the year and basic earnings per share at 98.6 pence.

If we just dig into the detail of that by flows, I've got the normal chart that you've seen before. Breaking it down into three sections - Intermediary saw outflows of £2.4 billion. Institutional saw inflows of £0.3 billion and Wealth, £0.9 billion. Just to give you a little bit more colour on each of those, the main drivers on the Intermediary outflow of £2.4 billion was particularly continental Europe which saw flows out of £1.7 billion. The other major feature of that was outflows from equities of £4 billion. We also saw outflows in the UK of £0.6 billion. You'll be familiar that we had two very longstanding fund managers in Andrew Rose and Jenny Jones who retired at the start of the year. So actually although we saw outflows in the UK, I think that was a good outcome considering the significance of those two portfolio managers and the UK team did a very good job through that.

The Institutional flows were much more resilient despite the risk-off environment. We saw inflows of £0.3 billion. We still saw equity outflows of £3.2 billion and that's an important number to come back to, but inflows in multi assets with fixed income. On the other big feature of that, there was a very strong move in the UK towards risk mitigation products, so overall Institutional saw an inflow and we've talked about the resilience of Wealth flows in the past and again we saw inflows there, follow on growth both in Schroder Wealth, an inflow of £0.5 billion and in Benchmark, an inflow of £0.4 billion. So the sum of those adding up to an outflow of £1.2 billion.
If we just look at it through another lens and look at it by region, you can see the real contrast there. Very strong inflows in the UK of £3.6 billion - made up of wealth and particularly those strong fixed income and multi-asset inflows particularly around risk mitigation. In Europe, we saw the largest of the outflows of £2.7 billion - the largest part of that was the Intermediary outflows of £1.7 billion. Particularly Europe saw a risk-off environment - Italy, Spain, Switzerland, the main markets that you would expect to see in a risk-off environment. Conversely we saw inflows in more stable countries like Germany.

Asia we saw a small outflow of £0.9 billion and the normal features of that, actually we saw positives in China, in Taiwan and Singapore and we saw £1.1 billion out in Australia. Those growth - those outflows, we've talked about it before, they're slowing down now but nevertheless still a small outflow in Australia. Then an outflow in the US of £1.6 billion, predominantly, predominantly on the Institutional side and that was two or three Institutional mandates. Still we saw inflows into the Hartford Fund range which was pleasing and actually in a competitive position. Hartford still continues to perform very well in the US context despite flows in the US being really quite muted during the first half of the year.

Then finally if we look at this by asset class, you can see the very dominant impacts of equity outflows from the risk-off environment. Outflows of £7.2 billion, split £4 billion outflow on the Intermediary side and £3.2 on the Institutional side. Good inflows in fixed income for £3.2 billion, £1.7 billion of which was Intermediary and £1.5 billion of which was Institutional. Wealth Management inflows we've talked about and a small inflow in private assets but fortunately we saw one big outflow, which was a continental European Institutional mandate particularly sold in the Nordics, which was our central office fund which was about £0.8 billion. So that's rather muted the private assets performance which was otherwise pleasing.

The equity number, clearly the big feature of that page which has an impact on margins as well as on flows, because clearly equity products are higher margin and Richard will talk about the financial impact of that, but the flows really were pretty broadly based. I mean we saw a risk-off across all product areas from emerging markets, Asia, QEP right the way through. The one standout feature was our global equity team who saw strong inflows and more growth bias and with some very good performance there.

So that's the three lenses on our flows. What I'll do at this stage, I'll handover to Richard and then I'll come back and we'll talk more about strategic developments. Thank you.

Richard Keers – Chief Financial Officer

Thank you Peter and good morning everyone. As you just heard, we have continued to focus on delivering our strategy in H1, with complementary acquisitions in our private assets and Wealth Management businesses and good progress towards the start of the Lloyds mandate and the launch of the Schroder Personal Wealth in the second half.

These are important developments and part of our response to the industry headwinds that Peter and I have talked about, which continued to play out as expected. So let's start with the headlines from the 2019 half year results.

Profit before tax and exceptional items decreased by 14% to £340 million. The main driver of the decrease was a £54 million reduction in net income, which I will come back to shortly. Operating expenses were £3 million higher than H1 2018, as lower comp costs were offset by the forecast
increase in non-comp. Exceptional items of £21 million returned to a more normalised level and mainly relate to the amortisation of intangibles. We are expecting exceptional items of around £50 million for the year as a whole.

After exceptional items, profit before tax was £319 million. Tax is also an important part of our return to shareholders. Our pre-exceptional tax rate reduced from 20.5% in H1 2018 to 19.8% for the first half of this year and that's my best guess looking forward for the whole year. Basic EPS was down 14% to 98.6 pence before exceptionals and down 13% to 92.4 pence after exceptionals. In line with our policy, we have kept our interim dividend unchanged at 35.0 pence per share.

Now let me go through the movement in net income. Net operating revenues decreased by £58 million. As always, the movement is driven by markets, including margin attrition, FX, net new business and acquisitions. Average AUM for the period was 2% or £11 billion lower than the first half of 2018. That's the combined impact of markets and FX. It comes despite markets strengthening towards the end of the period, with AUM closing H1 2019 at a new high of £444 billion. The impact together with market attrition was a £31 million reduction in revenues.

Net outflows over the last 18 months decreased revenues in the period by around £23 million compared to the first half of 2018. That was partly offset by the impact of acquisitions which increased net operating revenues by £4 million. That's principally the impact of Algonquin we acquired in May 2018, but we are also starting to see the benefit from the acquisitions we completed in the first six months. To be clear, the £4 million is the period on period increase. In total, the acquisitions we have made over the last three years have contributed over £120 million of annualised revenues.

Finally, we generated £27 million of performance fees and carried interest. That's down £8 million compared to the same period last year. As I mentioned in March, these revenue streams are difficult to predict, but we continue to budget for around £50 million for the year as a whole.

Now let's look at it by segment. Starting with asset management, net operating revenues were down £58 million at £853 million. The decrease includes the impact of lower average AUM, which was down £12 billion on H1 2018. Net operating revenue margins were also down by around a basis point. Net outflows over the last 18 months of £13.3 billion resulted in reduced annualised revenues of around £82 million. That includes a reduction of £43 million from flows this year and is principally a result of the current risk-off environment, with net outflows in higher margin products. £27 million of the reduction over the last 18 months is included in these results.

Net operating revenue margins by channel. Our guidance here excludes any impact from the Lloyds mandate. As you have just heard from Peter, around £45 billion of this we'll fund in H2, but the take on will mainly be towards the end of the year and will not have a significant impact on this year's results. I will provide guidance on how you should look at it going forward in March.

For Institutional, excluding performance fees and carried interest, margins were unchanged at 31 basis points. That's in line with the guidance I gave you and we still expect the margin to be around 31 basis points for the year as a whole.

Turning to Intermediary, revenue margins have fallen by a bp and a half to 70 basis points. This is just a little lower than the guidance I gave you in March and reflects the risk-off environment that I have just mentioned. We may see it come off a further 0.5 basis point in the second half as the effect of the mix changes we have seen in the first six months continue to come through. So in total, asset management revenue margins have reduced by a bp to around 44 basis points.
Now let's look at Wealth Management. Net operating revenues are in line with H1 2018 at £140 million. Although we have generated higher management fees, the increase has been largely offset by lower transactional revenues. Focusing on the chart on the right, this shows sustained growth with £11 million of annualised revenues generated on net inflows of £2.6 billion over the last 18 months. Importantly and in contrast with asset management, we have a tailwind from these net inflows, which will add to our revenues in H2. We also see future growth opportunities from Schroder Personal Wealth.

Revenue margins excluding performance fees were 60 basis points, which is one basis point lower than 2018, but is simply due to the lower transactional fees I mentioned. We expect margins to remain around 60 basis points for the full year. That's it on revenue.

Now let's look at what's happening to our operating costs. Comp costs continue to be the biggest component of our cost base, making up 66% of our total cost. They were down £19 million, or 4% compared to the first half of 2018. That's despite the slight increase in our comp ratio to 44% for the half year. We held back the ratio last year, but the impact of market conditions and FX have continued to be challenging and as you have just heard, we are continuing to invest in the businesses which will drive future growth. This includes the buildout of our Benchmark platform in preparation for the Lloyds mandate, and ongoing development of strategic priorities where we are looking to build scale including within private assets and in China. Whilst the ratio is higher than I guided to, it is in line with the ratio we had prior to recognising the accounting benefit for material risk takers in 2017. That benefit has now gone.

Non-comp costs were up £22 million to £239 million in line with our guidance. The increases were mainly driven by four things. First, investment in technology including ongoing work to decommission legacy investment platforms following the rollout of Aladdin and investments we were making in the Benchmark platform ahead of the launch of Schroder Personal Wealth. Second, the impact of higher accommodation costs largely as the result of IFRS 16. Third, acquisitions and finally, the further impact of FX, but let's remember that 65% of our revenues are generated outside of the UK. So a weaker sterling increases our revenues and is a net benefit to our profits. We are now expecting full year non-comp costs to be around £495 million. The only changes to my previous guidance are the additional costs from the acquisitions we have announced in the first half plus the change in FX.

Now let's turn to the last section on capital. We are continuing to make our capital work harder. We have made further investments in the development of our new products, which mean our seed and co-investment capital has increased to £567 million. As you have just heard, we are continuing to invest in selective acquisitions that expand our capabilities, particularly in private assets and Wealth Management. Despite these investments, we continue to maintain a strong capital surplus of £1.2 billion.

So in summary, you can see that our results are in line with expectations and with our guidance and just as importantly, they continue to include strategic investments in the future growth of our business. With that, I'll hand you back to Peter.

**Peter Harrison - Group Chief Executive**

Thank you, Richard. Just perhaps a couple of words on strategy before we go to Q&A and an outlook. First thing to say is that during this period, we have made three acquisitions and to head off the questions, let me just take those head on now. Thirdrock was a very small business, but
for me, gave us an adviser force in Asia in the wealth sector. Clearly a very fast growing area. We felt that it was a good way of getting scale there quite quickly and you know, has been integrated. It was a relatively straightforward transaction.

Two acquisitions in private assets. One Blue which is again, a German real estate business, assets under management about £1.7 billion. Really a team based in Munich that does - operates through the DACH region with a very blue chip client base, doing value add investments particularly in the shopping area. For us, it was a classic acquisition of bringing the team with the capability and then scale it over time.

BlueOrchard I think is a bigger and altogether perhaps different acquisition because it takes us into a whole new area and that's impact investing and we've been very clear that we see a very significant opportunity for this industry to align itself with the world, saying actually we want to invest and to have a social benefit at the same time and we've made some very strong statements about integrating ESG throughout all of our investment processes by the end of 2020. Impact investing is the tip of that tuning fork where you can measurably see a good at the end of it and we've - BlueOrchard is the leader in that area. It's a business set up 20 years ago with very significant infrastructure on the ground. Very closely aligned with the development agencies. So as development agencies withdraw from this market and private capital moves in, it's a very exciting business and one where it's not just about the growth we see in microfinance, it's about the connections with that world and the IP that they bring with it and the boots on the ground.

So three important acquisitions, but particularly BlueOrchard I think takes us into some really fast flowing water.

Secondly on the Lloyds joint venture. Two things there. Really we're expecting the tranche plan of £45 billion of inflows this year and the balance of the assets will flow in the first quarter of next year. They'll flow predominantly through the fourth quarter. So as Richard has indicated, it's not really a modelling issue for this year but will be a modelling issue for next year. The second thing is the joint venture in terms of wealth. That's made very good progress. The business has been stood up. The regulatory approvals, the primaries that have been acquired, the transitioning of clients onto the Benchmark platform is under way, is a steady move across and as we get more confidence in systems, we'll speed that move across but that's already under way.

I think that's remarkable progress considering this was announced in October. The business has been stood up, branding done, systems in place and transition under way. Clearly the build out of adviser numbers and training new advisers and connecting them into the network is going to be the next thing but so far so good in terms of the build out of that business.

The final point to say is I think we've had a risk-off environment. In terms of the outlook statement, it alludes to two things. One is clearly that that environment was predominantly for the first four months of the year, I think we've seen that ease up somewhat now. If we look at our pipeline of business, it feels good. I mean you never – it's very early in the quarter and I hate making predictions but right now it feels as if we've got the wind at our back with us starting assets where they are and the known winds we've got. For me, we've got to focus on getting the strategic growth in the business. We can see the trends. Investing behind those is key.

I'll give you one example before I finish and that's China. Very uncommented on announcement by the Chinese Prime Minister earlier this quarter which was about the ending of the one plus one rule. Well that for us is absolutely mission critical. We've got a really good joint venture with Bank of Communications but we also wanted to grow our own business in China. The ending of the one plus one rule strategically for us was a really important step forward in being able to
build our own business in China alongside the joint venture. So that investment continues and I think that organic growth will be absolutely key. So as we harvest costs on the one side, we're reinvesting those quickly into these new growth areas because we see that as the future opportunity.

With that I'll stop and throw it over to our diminished numbers. LSE has done for the numbers today because clearly most of our colleagues are over there but happy to take any questions. If you could give your name and first when you do, that would be great. Thank you.

Q & A session

Hubert Lam - Merrill Lynch

Hello.

Peter Harrison

Yes, that's on.

Hubert Lam - Merrill Lynch

Okay yes, thanks. It's Hubert Lam from Bank of America Merrill Lynch. Three questions. Firstly on Australia, you already had a billion of outflow in the first half. Just wondering how big the book of Australia is today. What do you think is at risk just given the circumstances there?

Secondly is on flows. Flows have been I guess pretty modest over the last few years, 2017 markets were good and you had about 2% annualised growth. Last 18 months have been seeing outflows. Just wondering if you consider this mainly to be due to cyclical headwinds or do you see structural challenges making growth lower? In normal world, what would you say your run rate growth can be? Do you think you can still achieve a mid-single digit net new money growth?

Third is on the debate on liquidity and funds. Just wondering what your views are on this debate. Do you think these are big risks in the market and do you expect any regulatory change on the back of this? Thank you.

Peter Harrison

Great, thanks Hubert. Let me try and deal with those and Richard will come in with any additional comments. Australia has got - our book of business in aggregate in Australia is about £15.9 billion of Institutional assets which has been the core area. You've seen the Royal Commission, you've seen some very major changes amongst super funds and you've - clearly we have a more value orientated team in Australia which hasn't been a comfortable place to be given the narrowness of markets.

As I said last time, I feel that the business is in reasonable shape. I don't expect to see an acceleration of outflows. From here you never say never, but I think we've lost a lot of the money that we would lose and I'm more confident going forward but we've still got a book of £15.9 billion and a market which is tough and changing.

On the industry outlook, I mean I think there's lots and lots of dynamics clearly going on here. There's a passive active thing and you're seeing - obviously strong growth of passive but equally that's not - that's loss of revenues to the industry because industry revenues are under pressure. You're seeing pricing dynamics in active funds. So the read across as we see in these figures is
not direct between AUM and revenues because the pricing points that you're achieving and those trends are most common in equities clearly. That's you know, a big part of traditional asset management world.

Then on the third side you're seeing some new markets and I think those are really important and I think the biggest gift to active managers has been the Chinese market. It's the second largest market in the world, a huge source of prospective alpha and you're going to see many, many more people wanting to diversify in to get the returns that are available from that alpha in China. So it's not a one way traffic.

I think growth has been muted but when we're going through transition of building up our private assets business and building up our wealth businesses and as those get a larger portion of the Group, the growth in those get ever stronger and so our private assets business today has reached £40 billion. It's come a long way. Our wealth business as you saw is over £50 billion and those have got very positive dynamics and so the overall mix, whether it's mid-single digits I think in any one period will depend on the points of the cycle, but I feel very good about the underlying growth dynamics of our business because we've invested in the fast flowing positive areas and yes, we're seeing outflows in the other but part of reshaping the business to put more emphasis on different products, more emphasis on new regions, more emphasis on private assets, is that you can achieve that long term growth and that's exactly what we're doing.

You had a question on liquidity and Woodford. I'd make a couple of comments. I think the first thing is that the Woodford funds were bought by a different - by a DIY investor and they were bought effectively through lots of newspaper comment, direct, not through advisers. So the market that we serve tends to be the intermediated market through advisers. We have always taken a very, very strong quality first view and the quality first view says, we didn't have a property fund that was bricks and mortar in 2016 when the gatings happened there. Ours was quarterly with 90 days' notice.

We don't buy unquoted for any of our funds. The largest overlap we have in any of our funds with a Woodford fund is only 2% of our assets, the 2% common holdings between so we buy a very different sort of company. I think we've also worked incredibly hard to make sure that we close funds at capacity and so if anything, I would say the impact of it, whilst it's not comfortable for the industry to be put in the spotlight, within that, there's a flight to quality and we have positioned ourselves at the quality end and yes, it's painful to close funds and not take new - you know, more capacity, but actually it's at times like this where you're glad you did.

So I think in a world where there's a lot of free money, there's a lot of people reaching for yield, reaching for other things, it's been right to be cautious and that seems to be being vindicated.

Hubert Lam – Merrill Lynch

Do you expect any regulatory impact?

Peter Harrison

Question - do we expect any regulatory impact. I think Andrew Bailey has been on record in front of the Treasury Select Committee saying that what happened was - the gating is a perfectly legitimate response. I think there's going to be a look at the role of ACDs and the independence of ACDs. I think that's inevitable. I think there will be a look at - I mean you're seeing the impact of it now with the listings on stock exchanges which don't transpire to be what we would perhaps normally consider to be a listing. So you will see those things.
I think the regulators actually are ahead of this insofar as the SMCR regulations which come in the back end of this year will deal with all of those issues because the obligation will be on firms to make sure that whatever the rules say, you’re doing it appropriately within the firm. So I think that from a regulatory perspective, the action has been taken and it’s being implemented but there will be some small changes I think around ACDs.

Any more questions? Yes, there’s one over here.

**Greg Simpson - Exane**

Morning. It's Greg Simpson from Exane here. Just three questions. The first would be on private markets. The flow this half was distorted by that mandate. Wondering if you could give us an update on the Adveq acquisition, the assets and flows there and how the efforts are to promote Adveq to the broader Institutional client base you have? Then the second question on costs, you mentioned in the fixed costs there are some decommissioning costs from legacy systems. Any idea of the quantum of those and is there a level of dual running costs that could drop out at some point, maybe next year? Then just a quick follow up on costs. The proportion of costs that are in sterling would be helpful. Thank you.

**Peter Harrison**

Great. Thanks Greg. Just on the - I'll start with the private markets and I'll punt the difficult questions to Richard. Adveq has - the acquisition is working well through the network. So previously, Adveq's business was very much focused on Switzerland and Germany. We have now started winning money in America, in Asia which is basically a result of the Australia sales force taking it out. We've built a dedicated what we call the alternative sales unit which is a different unit for selling private assets and alternatives. That's been in place.

I mean clearly the sales of Adveq, the way we account for it is we only account for sales once we are receiving a fee. So if you've got a commitment without a fee, we don't book that in our AUM or in our new business numbers. So there's going to be a lag on seeing those things come through, but I think we - and there's also obviously the timing of fund launches and fund closures is also important but fundamentally we think the follow on growth from Adveq is in line with what we hoped it would be which is good.

Richard, do you want to take the questions on costs?

**Richard Keers**

Yes, on costs. Decommissioning costs - yes, we are running duplicate systems. They are significant but it's complicated in that decommissioning, you don't really get the saving until they have all gone and one of our key duplicate systems is we've got an ABOR and an IBOR and it's going to be some way into 2020 before we can deal with that scenario. So I wouldn't be banking a lot of significant cost savings coming through until the second half of 2020 and therefore you've got a half year effect. So it's not going to move the data enormously but they are tangible, they are real.

I think what's more important is that the new systems we are building are very scalable and as our business grows, we will - we should be able to deliver real cost synergies by not having to increase the complex myriad of manual processes that used to support our legacy systems. So I think it's more about cost synergies in the future as we grow rather than a big bang in terms of we're going to turn - you're going to see a lot of costs falling out, but there will be some towards the second half of next year, but we've got a lot of work to do before we get to that point.
Peter Harrison
If I could add one thing there Greg, the other side of it is being able to do business which we couldn't previously do. So I think at the moment we've got more than a dozen solutions mandates which we've won and haven't yet taken on board, which are the pieces of business which we are now able to do because we've got the technical ability to do them which previously we'd probably have walked away from. So there's a cost synergy. There's also a revenue synergy.

Richard Keers
So it's really - we built a platform that will deliver for us going forward and will deliver that scale benefit.
In terms of your second one, I don't know the answer but James is looking at it.

James Grant
It's about 40%.

Peter Harrison
Do you want to just repeat that into the microphone?

Richard Keers
Sixty per cent in sterling, 40% overseas. Thanks James.

Peter Harrison
For those people listening online. Greg, has that answered your questions? Any more questions? We really are denuded this morning from numbers. So there's no more questions? No? Great, well thank you all for attending and I look forward to seeing you at the full year results in March. Thank you.

[End]