Resilient results with strategic progress

- Year of strategically critical initiatives
- Revenue growth while investing back into the business
- Growth in key areas of investment
- Business model evolving to meet changing client demand

Peter Harrison
Group Chief Executive
## Annual Results 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>£2,123.9m</td>
<td>£2,068.9m</td>
<td>3%</td>
</tr>
<tr>
<td>Ratio of total costs to net income</td>
<td>64%</td>
<td>61%</td>
<td>–</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£761.2m</td>
<td>£800.3m</td>
<td>(5)%</td>
</tr>
<tr>
<td>AUMA</td>
<td>£421.4bn</td>
<td>£447.0bn</td>
<td>(6)%</td>
</tr>
<tr>
<td>Net new business</td>
<td>(£9.5)bn</td>
<td>£9.6bn</td>
<td>–</td>
</tr>
<tr>
<td>Basic EPS¹</td>
<td>215.8p</td>
<td>226.9p</td>
<td>(5)%</td>
</tr>
<tr>
<td>Total dividend per share</td>
<td>114p</td>
<td>113p</td>
<td>–</td>
</tr>
</tbody>
</table>

¹ Before exceptional items.

---

- **Year of strategically critical initiatives**
- **Revenue growth while investing back into the business**
- **Growth in key areas of investment**
- **Business model evolving to meet changing client demand**
Pre-exceptional profit before tax (£m)

Year of strategically critical initiatives

Revenue growth while investing back into the business

Growth in key areas of investment

Business model evolving to meet changing client demand

Peter Harrison
Group Chief Executive
Net flows by channel

Weaker markets impacting client demand

- ‘Risk off’ across Intermediary
- Institutional flows dominated by one large client
- Wealth Management continued to see strong demand
Net flows by region

- **Americas**: Record inflows in North America
- **UK**: Positive UK flows led by Wealth
- **EMEA**: Challenging markets across channels and countries in Europe
- **Asia Pacific**: Good underlying growth in core Asian markets
- **Latin America**: Small outflows in Latin America
- **UK Institutional**: UK Institutional led by £5.5bn Multi-asset net flows
- **Institutional demand for Private Assets**: Institutional demand for Private Assets
- **Outflows from one large Japanese client and Australian Institutional**: Outflows from one large Japanese client and Australian Institutional
Net flows by asset class

Ongoing demand for Multi-asset solutions

£2.3bn net flows in Private Assets, all regions net positive

Continued turnaround across Wealth Management

Fixed income outflows dominated by one client

‘Risk off’ led to lack of demand for developed markets equities

Demand from UK and Asia Pacific Institutional clients

Diversified across strategies, led by Private Equity and Securitised Credit

Positive flows from Benchmark Capital and Schroder Wealth

Redemptions primarily from US strategies

Partly offset by flows into Asian and EM strategies

<table>
<thead>
<tr>
<th>£bn</th>
<th>Multi-asset &amp; Alternatives</th>
<th>Private Assets</th>
<th>Wealth Management</th>
<th>Fixed Income</th>
<th>Equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>6</td>
<td>4</td>
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<tr>
<td>6</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>8</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>
Profit before tax and exceptional items

£m

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit before tax and exceptional items</th>
<th>Net income</th>
<th>Compensation costs</th>
<th>Non-compensation costs</th>
<th>Profit before tax and exceptional items</th>
<th>Exceptional items</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>800.3</td>
<td>-5%</td>
<td>£761.2m</td>
<td></td>
<td>649.9</td>
<td>93.4</td>
</tr>
<tr>
<td></td>
<td>90.3</td>
<td>55.0</td>
<td>(22.0)</td>
<td>(72.1)</td>
<td>761.2</td>
<td>(111.3)</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>670.8</td>
<td></td>
</tr>
</tbody>
</table>

Wealth Management

-111.3

Asset Management

705.9

Group segment

4.1

-3.0

-5% to £761.2m
Net income

<table>
<thead>
<tr>
<th>£m</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>2,069</td>
<td>2,124</td>
</tr>
<tr>
<td>Asset</td>
<td>1,758</td>
<td>1,801</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wealth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group segment</td>
<td>38</td>
<td>33</td>
</tr>
</tbody>
</table>

Net operating revenue

- £61m

Performance fees and carried interest

- £24m

Other income

- (6)

Markets and FX

+ £0m

Other operating revenue

+ £72m

Carried interest

28

Performance fees

(52)

Markets

28

FX

(28)

Net new business

41

Net income

+3% to £2,123.9m
Net operating revenue

**Average AUM**

+£22.6bn

- **Net operating revenue margin**

47bps

- **Annualised revenue impact of flows over two years**

+£30m

1) Excluding performance fees and carried interest
Wealth Management net operating revenue

Net operating revenue: +6%

Net operating revenue margin: 61bps

Closing AUM of: £43.7bn

1Excluding performance fees
### Intermediary net operating revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance fees</th>
<th>Intermediary net operating revenue £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>785.4</td>
<td>797.0</td>
</tr>
<tr>
<td>2017</td>
<td>909.4</td>
<td>929.3</td>
</tr>
<tr>
<td>2018</td>
<td>936.8</td>
<td>937.5</td>
</tr>
</tbody>
</table>

#### Average AUM

- **+£4.7bn**

#### Net operating revenue margin\(^1\)

- **72bps**

#### Closing AUM of

- **£121.2bn**

\(^1\) Excluding performance fees

---

### Net new business and annualised net new revenue (NNB and ANNR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net new business £bn</th>
<th>Annualised net new revenue 2017 - 2018 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Institutional net operating revenue

Average AUM

+£15.5bn

Net operating revenue margin¹

31bps

Closing AUM of

£242.3bn

¹Excluding performance fees and carried interest

Net new business and annualised net new revenue

(NNB and ANNR)

<table>
<thead>
<tr>
<th>Year</th>
<th>NNB £bn</th>
<th>ANNR £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>665.3</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>814.0</td>
<td>27.2</td>
</tr>
<tr>
<td>2018</td>
<td>851.3</td>
<td>28.4</td>
</tr>
</tbody>
</table>
### Carried interest

- **Total return**
- **Preferred return (‘hurdle’)**
- **Year**

- **Return**

### Net carried interest £28.4m

- Represents 1% of net operating revenue

#### Key Figures

- **74** Investment vehicles with carried interest arrangements
- **9** Investment vehicles have recognised carried interest income
- **34** Investment vehicles contributing to the cost of financial obligations in relation to carried interest
- **10 years** Approximate weighted average age of investment vehicles where carried interest has been recognised
- **15 years** Typical age at which an investment vehicle would be liquidated

---

- **Investor return**
- **Catch-up phase**
- **Shared return**
Operating expenses

Total compensation ratio:
- 43% in 2018 (43% in 2017)

Ratio of total cost to net income:
- 64% in 2018 (61% in 2017)

Bar chart showing the breakdown of expenses in £m for 2017 and 2018:
- Compensation costs:
  - 2017: 881.3
  - 2018: 903.3
- Non-compensation costs:
  - 2017: 387.3
  - 2018: 459.4
- Exceptional items:
  - 2017: 34.8
  - 2018: 97.5
Group Capital

Capital base

31 December 2017 | 31 December 2018
---|---
Capital base | £m
Capital surplus | 1,165 | 1,164
Dividend¹ | 216 | 216
Overall regulatory capital requirement | 1,146 | 1,115
Other items² | 1,090 | 1,341

Capital allocation

31 December 2017 | 31 December 2018
---|---
Working capital – Other | £m
Working capital – Seed and co-investment | 392 | 535
Investment capital – Liquid | 696 | 465
Investment capital – Illiquid | 147 | 165
Other items² | 1,146 | 1,115

¹Final dividend proposed for respective year
²Comprises regulatory deductions, principally goodwill, intangible assets and pension scheme surplus
Summary

Net income\(^1\)
+3% to £2,123.9m

Ratio of total costs to net income
64%

Profit before tax and exceptional items
-5% to £761.2m

Basic EPS before exceptional items
-5% to 215.8p

Total dividend
+1p to 114p

\( ^1 \text{Before exceptional items.} \)
Peter Harrison
Group Chief Executive
Investing for growth – seven key areas

Product innovation and Solutions
- Increase seed capital
- GAIA Helix
- Sustainability

Fixed Income and Multi-asset
- Scottish Widows mandate solutions
- US & Canada Instl Hartford partnership

North America
- US
- Canada

Asia Pacific
- China
- Growth in core markets
- Maybank & WelInvest

Technology
- Alpha generation
- Client experience
- Operational efficiency

Private Assets & Alternatives
- Alternative Sales Unit
- Algonquin real estate
- Securitised credit & A10
- Adveq private equity
- Infrastructure

Wealth Management
- Benchmark Capital
- Lloyds joint venture
- Thirdrock
- C.Hoare & Co

Investing for growth – seven key areas
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- Closer proximity to consumer
  - Grow Wealth offering
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Wealth Management
Outlook

Global footprint and diversified business model to drive future growth

- Challenging market conditions but strong pipeline of new business
- We remain focused on strategy to reposition business for changing client demand

Peter Harrison
Group Chief Executive
Thank you
Forward looking statements

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