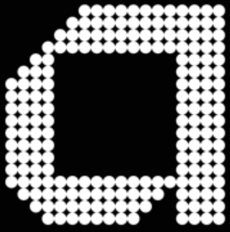
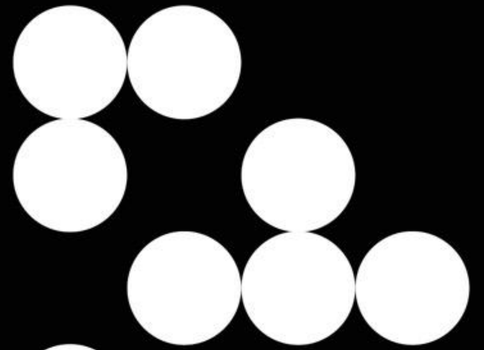
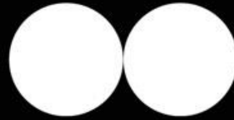
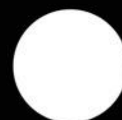






abrdn plc

Half year results 2021
Presentation transcript



10 August 2021

Stephen Bird - Chief Executive Officer

Welcome
Hello and welcome to the abrdn first half results for 2021. Today marks the next stage in the development of a company with a near 200-year history. I'm going to give an update on our progress against our strategic priorities that we shared with you in March and Stephanie Bruce, our Chief Financial Officer, will take you through the financial results.

I'll wrap up with how we're investing to grow the business. Then, we'll be joined by Chris, René & Noel for Q&A and we'll be delighted to take your questions.

Creating momentum for our growth ambitions
At our full year results in March we outlined our strategy to return the business to growth. This strategy is about developing a more balanced business that's less procyclical and is a client led strategy, focused on the three vectors of our business: Investments, Adviser and Personal.

I described the growth journey and how it would look, and in particular, I said that in the near-term we would arrest the decline in revenue and improve our operating efficiency before creating a medium-term pattern of high single digit revenue growth and further positive operating leverage.

We have made a strong start in delivering those objectives against a background of supportive markets and a recovery from last year's Covid challenges.

We have delivered the highest rate of revenue and earnings growth since the merger with fee based revenue 7% higher, adjusted operating profit 52% higher and adjusted diluted EPS more than doubling.

We also set the goal of becoming a more efficient company and we targeted a cost/income ratio of around 70% as we exit 2023. Likewise we have made a solid start with a full 6% improvement recording a first half of 79%.

We are at the start of our growth journey and we're working hard to create momentum and there is now clear evidence that our three-vector model has sharpened our focus and improved our execution.

You'll see later our investment performance remains solid. I'm pleased to report that we have completed our technology conversion onto a single fund management platform. Whilst a huge achievement in itself and a great simplification of our investment process, it does not signal the end of improvement but rather the beginning of a relentless drive to continuously improve our investment processes, our use of data and the consistency of our client outcomes.

Creating momentum by vector
Whilst not yet recording asset growth at a group level we have gotten very close with net outflows of just £1.9bn (ex. liquidity) compared to £6.8bn in the same period last year and this now has a negligible impact on revenues.

Here you can see the details of each vector.

Institutional and Wholesale is our largest business, and excluding liquidity, we further improved by 89% from outflows of £7.5bn in H1 last year to just £0.8bn this period. This is the best performance since the merger and is a solid position from which to further improve.

The levels of outflows in Insurance reflect normal de-accumulation activity. Of course, our clients' market strategies, which we are working with them on, will through time begin to off-set the normal pattern of de-accumulation. In the period, the low level of activity in bulk purchase annuities means we are not yet growing in Insurance.

Adviser has recorded the highest net flows in 3 years and the first half of 2021 is equal to all of last year.

Personal too had a significant milestone with a record first half and net flows greater than its cumulative performance since the merger.

Update on our strategic priorities
In March I shared our growth strategy and outlined our priorities, the foundation of which is having the right talent in place across the company. The first six months of the financial year has seen the build out of the new management team tasked with driving growth and executing cleanly against these strategic priorities.

Our new operational structure creates clear lines of responsibility and accountability, aligned to the priorities for each of the three vectors. Caroline Connellan is joining us in November as CEO of Personal Wealth. Noel Butwell is CEO of Adviser.

In the Investments vector, we've moved to a regional model with global connectivity. René Beuhlmann started in March leading Asia Pacific and Chris Demetriou has started his new role as CEO UK, EMEA and Americas.

I'm now going to provide short updates on four of these priority areas, starting with our ambitions to grow in Asia.

Growth in Asia
As you know, I have invested a lot of my career in Asia, it's a part of the world I have extensive knowledge and passion for. The opportunity in Asia is significant as the economic centre of gravity of the world continues to move east.

Already, more than half the world's population live in Asia and it will become home to half of the world's middle class. Investment assets are predicted to grow at around 12% per annum over the next 5 years reaching 20% of global AUM in 2025. Building on our expertise in the region is a major focus for us and it starts with the right leadership. René Buehlmann joined us in March to lead the Asia Pacific business.

We are well known and have a good footprint in Asia with locally managed assets of £46bn and we're managing £18bn of assets for clients in Asia. We expect demand for our global capabilities to grow as individual investors and savings institutions in Asia expand their investment horizons beyond their own market.

Through our own regional presence and through distribution partnerships we are aiming to significantly grow our Asia business. Let me hand to René who will explain how he is leading our strong team to growth in Asia.

René Buehlmann – CEO, Asia Pacific

Hello from Asia. As many of you know, we have a very strong heritage out here in the region. Our business operates currently across nine domestic locations with 500 staff and investors on the ground in each of these counties.

We are re-energising for growth which is why we have exited earlier this year our Indonesian domestic operation.

Our revamped Asian strategy is basically based on three pillars.

First, we want to accelerate the regional distribution of all of our global products, in particular, in the wholesale channels. As a great example, we have a new partnership with Citibank where abrdn products will be available on Citi's digital banking and investment platform Citiplus which opened up the wholesale distribution of our products to Citi's regional retail clients.

Second, for investors China is still one of the biggest alpha-generating markets. We have a very strong Asian and China investment franchise with over £46 bn in AUM. We will strengthen our team further and combine with our deep global sustainability capabilities to become a leader in Asian sustainability. This will benefit both our regional and our global clients who are still underinvested in China.

Further to this, we have just launched our abrdn Sustainability Institute in the region and thereby also support transition to Net Zero here in region.

Lastly, we want to leverage our strong digital and platform capability in the UK to establish strong strategic partnerships with banks and platforms out here in Asia. A great example is our partnership with HUB24 in Australia where we are in the process of developing a new digital investment platform for financial advisers.

Stephen Bird - Chief Executive Officer

Thank you very much René. A great leader, with a great team, and they're getting good results now.

Growth momentum in private markets and alternatives
Now, let me turn to private markets. Private and alternative assets are an important part of our growth strategy. We're investing in areas of high exogenous growth and have organised our business in the way that clients invest: real assets, private credit, private equity and alternatives.

In the first half we saw £3.2bn of deal flows, that's a 10x increase on prior year, bringing us to an AUM of £71bn.

We're committed to improving our investment capabilities and the acquisition of Tritax is a great example of our 21st century ambitions in real assets, bringing with it exposure and expertise in the fast-growing, future-looking logistics real estate market.

They are the UK's largest investor in large-scale logistics warehouses where occupier demand is strong and supply is constrained. They are meeting the needs of their e-commerce tenants by investing in modern national and regional distribution centres, ideally located to allow late night orders and next day delivery and has over 9.1m sq ft. of consented land available to deliver new units for e-comm retailers. Tritax Big Box, the listed REIT, last week announced their strongest half year performance with EPS up 23.6% and portfolio value up 10.9% to £4.89bn.

Within alternatives, our US precious metals ETF franchise has seen strong growth since we bought into the market three years ago, with AUM almost trebling to c$7bn. ETFs are of course a high growth area and we are now expanding our suite of products in the US and internationalising into Europe including a new industrial metals fund aligned to the global 'electrification' theme.

Accelerating our market leading position in UK adviser market
I highlighted in March that the Adviser platform business is a real hidden gem, holding the number one position in the UK adviser market for AUA and gross flows.

We are focused on both defending and growing our leadership position as the market grows and consolidates.

Our Adviser and Personal vectors are gateways for increasing AUM into our ecosystem and in the first half our advice business contributed around £200m of flows into our discretionary fund management business.

Now let me hand over to Noel who is going to update you on our activity in our Adviser Vector.

Noel Butwell - CEO, Adviser & Interim CEO, Personal

Within the Adviser vector, we have recently launched our Adviser experience programme, and this is a multiyear investment improving the experience of using our solutions and revolutionising how they can be tailored to individual client needs. Now, clients will see regular and ongoing improvements, based on what they have told us is important to them.

We've already gone live with some of the first enhancements. Firstly, a new client engagement hub, and this is powered by leading technology from Amazon Web Services and Salesforce. This gives new and more effective contact options for clients with more intuitive systems of processes so that the adviser's time can be spent doing what's important, which is spending time with their clients.

We've also launched one of the most integrated e-signature capabilities in the market, and e-signature is now embedded directly in many of our journeys.

At its core, the programme is a shift to a client-centric model rather than the traditional product-led approach. Everything within abrdn Adviser will be connected to an individual, and this means we'll know with the touch of a button all we can about the client's experience with us.

We've also been hard at work on our pursuit of primary position objective. Our ambition with every firm we work with is to become their primary partner at which point we expect at least 70% of all new business flow to be directed to us. We have realigned the sales team to deepen client relationships and move more firms to that primary position.

In the second half of this year, we'll launch our new adviser portal which will bring significant functionality for advisers. In addition, we developed a comprehensive new suite of reporting and secure messaging functionality. Looking into '22, we'll then see several further content drops with new tax wrappers, and importantly, the junior suite which we know clients are excited about. We'll see the conclusion of the acquisition of our Wrap products from Phoenix and our stockbroking capability embedded.

Our growth will be accelerated by us being the easiest business for our clients to partner with delivered by a constant and relentless focus on competing and differentiating on the quality of our content and experience. For every firm, for every type of client, we want to be here for everyone as we move forward into this new era as abrdn.

Stephen Bird - Chief Executive Officer

Thank you very much Noel, you really have that team buzzing.

Responsible behaviour, responsible investing
We are futurists and at the center of being futurists is investing and behaving responsibly. Our actions enable our clients to be better investors and by focusing on responsible investing, we believe we can deliver better risk-adjusted returns.

We're also running our business to have a positive impact on our environment and on society. The impact of climate change is one of the world's biggest challenges and we're holding ourselves to account to have a positive impact. We've committed to Net Zero with 50% reduction by 2025, 98% of our sourced electricity is already renewable, and we're a signatory of the Net Zero Asset Managers Initiative.

As an investor, we are partnering with clients on solutions that allow them to achieve their future goals whilst 'dialling up' the impact of their investments.

At abrdn we have taken a fully integrated approach to how we invest considering all ESG risks and opportunities and importantly how we manage the transition. That means from idea generation, to research, to peer review, to portfolio construction and ongoing engagement with investment companies. Accelerating the availability of ESG investment funds, we'll have quadrupled our SFDR 8 & 9 SICAV fund range in the next 12 months. Thirdly, investing intelligently in brown opportunities today that have credible plans of how to get to green is how we'll generate long-term returns for our clients at the same time as accelerating progress to a carbon free future.

Let me hand to Stephanie now who will provide details of our financial results.

Stephanie Bruce – Chief Financial Officer

Half year 2021 results
Good morning everyone.

Our financial performance in the half year demonstrates momentum towards our growth ambitions, as you can see through our key indicators.

Our fee based revenue is £755m, 7% higher than prior year reflecting 4% higher average AUM, an increase in revenue yields and favourable markets.

Adjusted operating expenses are £595m which is 1% lower than prior year.

Adjusted operating profit is our key performance indicator and at £160m demonstrates strong growth momentum, with a 52% increase against what was a depressed prior period.

The resulting cost/income ratio of 79% is 6ppts lower than prior year and aligned with our progress towards our target of 70%.

Adjusted capital generation is £176m, 71% higher than prior year, reflecting the increased operating profit.

Overall, reflecting the reversal of the strong flows into liquidity funds in the prior period, net outflows in the 6 months were £5.6bn. Liquidity and insurance are the main drivers of our outflows in this half but this is low margin activity.

We are focused on the value of our flows. Excluding liquidity flows, which are low margin, there are net outflows of £1.9bn, an improvement of almost £5bn compared to the prior year. While still in net outflow, this represents a significant improvement over prior periods and with net outflows now less than 10% of the net outflows at the low point in H2 2018 following the merger. The benefit of this for revenue is also clear and I will cover this shortly.

AUMA was broadly flat compared with the opening position in January as higher markets have offset net outflows and the corporate actions we completed in the period.

Arresting decline in revenue
As a team, we are focused on arresting the decline in revenue, and we have made progress.

In the first half, three key aspects have all contributed to the positive momentum compared with H1 2020 – yields, markets and flows

Firstly yields, as yields have stabilized, we have seen a positive impact on revenue. In the first half, our asset mix, together with the structural benefit from our new arrangements with Phoenix, have created a positive increase in revenue of 1%, compared to the 1.2% negative impact seen in prior year.

Secondly markets, these have been favourable in this period, benefitting revenue compared to the prior period. In addition, we earned £10m higher performance fees in this half.

Thirdly on flows, we have been working hard to improve flows by focusing on the investment needs of our clients and have delivered encouraging momentum in a number of asset classes, including real assets and private equity. The improvement in net outflows from our core portfolios, ex Lloyds, has made a positive impact on revenue. This can be seen in the dramatic fall in the revenue impact from net outflows (ex LBG) moving from £27m in H120 to only £2m in the current period. This represents less than 0.5% of our revenue, so significantly better, such that net outflows are now only having a modest impact on revenue compared to the impact back in 2019 of 9%.

Improving revenue impact from flows
This improvement over time is captured here.

The solid black line demonstrates clearly the significant change in the revenue impact from net outflows in our core activities of Institutional and Wholesale ex liquidity, Adviser and Personal.

You can also see on this chart the minimal impact from the flows in liquidity – this is the dotted line – whilst we have seen a large swing from the positive flows of last year to negative flows this year, this has only resulted in revenue impacts of negative £1m, so overall insignificant.

Improving variability of cost base
Our continued focus on cost management delivered a reduction in underlying operating expenses of £20m in the period, c7% on an annualised basis.

This is net of increased compensation accruals to reflect the improved performance of the business, while inflation, corporate actions and foreign exchange all added to the cost base, resulting in overall operating costs 1% lower than prior year.

After allowing for reductions in staff numbers as phases of the transformation programme complete, offset by inflation and other accruals in staff compensation, net staff costs increased marginally to £324m.

Non-staff costs were reduced by 4% to £271m, after allowing for inflation and some brand expenditure in the half year, offset by savings in outsourcing costs, reflecting our actions to build further leverage from the core services of our third party relationships.

We continue to simplify the business, addressing areas that are contributing lower returns. During this half year, we completed the simplification of the Nordics real estate business and the disposal of Parmenion. We also acquired the Tritax business.

As a proportion of our AUMA, non-staff costs are 8% lower since prior year and we will continue to focus on this reduction as we move towards our target for cost/income ratio of 70% as we exit 2023.

The cost/income ratio has improved by 6ppts to 79% for the half year period.

Overall, we remain on track to deliver against our annualised synergy target of £400m later this year.

In H2 we anticipate additional spend on brand rollout, the impact of inflation and the move to hybrid working as the COVID restrictions are lifted for our employees.

Vector performance
Breaking our results down by vector, it is pleasing that we delivered improved performance in all vectors.

Investments
Turning first to Investments which is our core activity, representing 84% of our AUMA and 78% of adjusted operating profits.

This vector has made good progress in the first half across the indicators. Fee revenue is higher by 6% reflecting growth in all our asset classes, except fixed income and multi asset in I&W. Yields have improved as an increased proportion of AUM are held in equities and private markets. Costs have been controlled and reflect reductions in non-staff costs, particularly in third party outsourcing costs, offset by higher accruals for staff compensation to reflect performance in the period. The cost/income ratio is 79% which is 5ppts better than last year. Adjusted operating profit of £126m is higher by 33% than prior year.

Within the profile of flows in this vector, there are lumpy movements in flows in both insurance and liquidity which impact the overall flow numbers in any period - although as I have just demonstrated, the impact on revenue of each of these classes at 10 and 8 bps respectively is not significant.

Overall in flows in this vector, we have created good momentum and, as Stephen has highlighted earlier, we have created further leverage with gross flows, excluding liquidity, increasing by 13%, while redemptions have reduced by 2%, creating a positive movement on net flows of £4.2bn, a 48% improvement on prior year. Encouragingly, the pipeline of won not funded flows is cost/income ratioca £8bn.

AUM for the investments vector is consistent with the levels at year end and reflects the net outflows, particularly from higher liquidity and insurance flows, offset by the positive impacts from higher markets and corporate actions which increased AUM by 2%.

Our largest client in this vector is Phoenix at £170bn AUM.

We will see the remaining LBG assets, amounting to approximately £34bn, transfer out in H1 2022, but these are low yielding assets.

Our refreshed partnership with Phoenix is showing progress and is focused on working together to grow assets by providing solutions which serve the complex needs of the insurance customer base in the open and closed books.

Investments - Institutional and Wholesale
Within Investments, our key growth opportunities are in the Institutional and Wholesale client base.

Specifically in Institutional and Wholesale, revenue is 8% higher than prior year and that is before taking account of performance fees. Yields have been stable overall. Encouraging for our growth strategy is the improvement of flows within Institutional and Wholesale. Here we have seen 21% higher gross flows (£3.5bn) compared to prior period, and at the same time the redemptions have reduced by £3.2bn, an improvement of 13% on the prior period.

This has created the positive movement for this activity shown here, this progress is evident across most asset classes, particularly in equities and real assets, while headwinds were seen in fixed income as assets moved away from this strategy.

Overall, we have seen the best net flows position in Institutional and Wholesale, excluding liquidity, since the merger and the pipeline is also encouraging. In particular, the pipeline in APAC is strong and our focus on building our presence with wholesale clients is a key focus for René and the team – this will be aided by the Citi and Hub24 partnerships which have been a key development in 2021.

Investment performance
And of course investment performance is key for our service to clients. In this period, the 3 year investment performance is 66% against benchmark, comparable with the position at year end.

That overall consistency reflects differential performance across the core product areas and strategies as seen here, in large part reflecting style positioning within our offerings.

We have seen a dip in equity performance in the 6 months to June, with the markets rotation to value acting as a headwind given our overall quality and growth bias.

With the recent market adjustments, our preliminary result for equity performance in July demonstrates signs of improvement on a one, three and five year basis.

Encouragingly, we now have 54 consultant ratings compared to 43 at the time of the merger - and for our wholesale client base, we have increased the number of Morningstar 4/5 star ratings to 125, an increase of 6%.

Adviser
In the Adviser vector we administer £72bn assets for our clients in the UK which comprise both national and regional advisers and discretionary fund managers.

We typically retain assets on our platforms for an average of 6 years and this is increasing and we have seen strong growth in revenue on both platforms.

Overall revenue has increased by 26% as a result of new flows, market levels, and the £12m structural benefit arising from the revised Phoenix arrangements, which more than offset the reduction from the impact of pricing changes in 2020 which were implemented pre COVID. Through these changes our yield has increased by 2.2bps to 25.3bps.

This higher revenue has resulted in a much improved, 10 ppts change, cost/income ratio to 57% and an improved operating profit of £37m, an increase of 61%.

We have a good track record of generating positive flows and in this half year we have recorded the best flows in three years. As a consequence, the AUMA on our platforms has reached a record level as at June, with an increase of 8% since year end.

Personal
In our Personal vector, our clients are in the UK and comprise private clients, financial advisers, charities and trustees. This is currently the smallest part of our business but is building momentum.

The cost/income ratio, whilst improving to 90% in this period with a small profit, will require greater scale and further action to achieve our ambitions for this vector.

Overall gross flows increased to £1bn, a 67% increase and net flows recorded a fivefold increase.

We see a significant opportunity for growth in the numbers of clients that we serve, addressing an advice gap in the UK. The number of clients in Aberdeen Standard Capital has continued to increase in the 6 month period by 6% and AUM in ASC are now at a record level with specific benefit from deepening our charities activity, launch of sustainable portfolios and providing improved functionality on the portal.

Capital generation aligned to profit
Adjusted diluted EPS is 7.0p with the significant increase to prior period reflecting principally the improvement in adjusted profit, with additional benefit arising from the buyback which was completed in February 2021.

Adjusted diluted capital generation per share is 8.2p an increase of 3.6p. This increase reflects the improved adjusted operating profit generated by the business and importantly this level of capital generation more than covers the dividend per share of 7.3p which was as we forecast in the policy set out in March 2021.

This represents dividend cover of 1.14x adjusted capital generation.

Further strengthened capital position
Improved capital generation has contributed to our surplus capital position which has further strengthened in this half year period from £2.3bn to £2.8bn. This includes the sale of 4.99% in HDFC Life which added £0.7bn and is the continuation of our stated strategy for this investment. We intend to continue our strategy of monetising the HDFC Life stake.

The simplification of the business by disposing of Parmenion and the Nordics real estate activities realised over £100m. Offsetting in part these disposals, we invested in Tritax in this period with the total potential consideration of £0.2bn.

Our regulatory capital surplus at £2.8bn is an increase of 22%. A reminder this does not reflect the majority of the value of our listed stakes.

I highlighted in March that the new IFPR regime is anticipated for the start of 2022. On that basis, our indicative pro forma surplus would be of the order of c£1.7bn as we are no longer able to include certain elements of Tier 2 debt and insurance holdings.

We are comfortable that this capital position is at an appropriate level taking account of our growth and investment opportunities.

I'll now hand back to Stephen.

Stephen Bird - Chief Executive Officer

Investing to drive sustainable growth and returns
I'll now turn to our capital position.

As at 30 June 2021, our capital resources remained strong at £3.9bn. This gives us the capacity to invest more in our business to accelerate growth. Each of the three growth vectors have a distinct investment plan.

For Investments we will invest in further embedding advanced data analytics in our investment process and in closing the performance gap to best-in-class, building our business in Asia and increasing our private markets capabilities as we just described. We will also grow our investment in seed capital which will fuel the growth of the wholesale channel.

In our Adviser vector we will continue to invest in the technology needed to support our adviser experience programme. Key to this is making our platforms even easier for advisers and their customers to use.

For our smallest vector, Personal, we have been clear that growth will be through further acquisitions to get scale. We also need to invest in technology to grow our digital direct-to-consumer savings and wealth offering. This morning I'm delighted to confirm that we have acquired Exo Investing who have world-class artificial intelligence digital investing capabilities that will allow us to bring always on, 24/7, digital discretionary fund management to your smartphone.

We are disciplined in the deployment of capital applying three key tests to every investment decision. Does it drive growth? Does it drive returns? Does it get to scale? In that way, we will ensure that we are building returns for you, our shareholders.

We are futurists
In summary, we've made a strong start to our three-year strategy, with a 52% growth in adjusted operating profits, we've arrested the revenue decline, we've delivered record profit performance in our Adviser business and seen record flows into the Personal business.

The next six months will focus on investing for growth in all three of our vectors, we will continue to sharpen our investment capabilities and address investment performance.

We'll concentrate on building our digital distribution and improve our wholesale capabilities, continue to upgrade our adviser experience and importantly, we'll concentrate on investing in our talent.

Thank you for listening. We'll give you a quick break and we'll be back to take your questions.

Welcome back everyone. Stephanie and I are here, and we have René, Chris and Noel to assist as well. We are ready for your questions.

Q&A session

Haley Tam – Credit Suisse: Morning, everyone. Thank you for taking my questions. I have a couple, please, if I may. The first, in terms of your growth plans in Asia, thank you for the additional colour here. To help us think

about it, do you have a target to which the £46bn of AUM can grow to, and is this 12% per annum regional growth actually your best guide here? Maybe if there's any colour you can give us on which global products you have earmarked for regional distribution that would very helpful.

Second question, if I may, just on the Adviser business, you've mentioned the benefit of the new arrangements with Phoenix to revenue yield here, £12 m. Sorry for asking, I'm actually not sure entirely what that is. Could you help me understand how sustainable that is, if that was a one-off, if that's something I should expect to continue?

I'm sorry, just a cheeky third one. On your regulated capital surplus, the £1.7bn post-IFPR, that has increased by a £0.5m helped by the £700m from the HDFC Life stake sale. Just to confirm, my takeaway is that you are comfortable with this level of surplus, planning to invest it, and so just to confirm, we should not expect to see any of this surplus return to shareholders in the near term. Thank you.

Stephen Bird: So, I'm going to take the Phoenix piece first. We have structurally improved the competitive position of the Adviser business. The £12m benefit is the absence of payments that we used to make business-to-business which you can think of as contra-revenue that went to Phoenix. So, that is a structural and permanent benefit that you can expect to see flow through our business and future periods as well.

Turning to Asia, and I'll throw it to René in a moment, we were much bigger in the past in Asia than we are today, so when I examined the business, and I looked at the history of the business, and I saw the scale of the abrdn platform, if you go back to periods not that long ago, 2015 or so, we were a much bigger business.

So, the aspiration is to get back to being a significant force in the Asian market. We have a great team on the ground there, and we've done a number of things. We tightened our footprint. I talked to you in March about the fact that we looked at Indonesia, for example, and although it was a great growth opportunity, the path to scale was simply too long, so we chose to exit Indonesia, and likewise, we have other tightening up that we've been doing and René has been working on.

That allows us to focus on a more hub-and-spoke model, and it allows us to distribute through partners, and the Citibank deal that we announced where we're already live in Hong Kong in the digital wealth planner, we're going to be live in Singapore shortly. We're also going to be live in the US, and then we've added a few funds to the Citi platform.

Let me ask René to talk a little bit more about what he's been doing, a little bit more about the product story, and a little bit more about his sustainability edge.

René Buehlmann: Thank you, Stephen. I think that, as you said, unpacking the question a little bit there are two elements to it. Historically, abrdn has a very strong reputation within the region particularly around emerging markets and Asian equity. I think the merger has brought us a much, much broader capability set, and that includes in particular bringing way more real assets, real estate, fixed income, multi-asset capabilities to the region.

So, the focus is two-fold. One is really helping to distribute these global products more to the region and just raise the profile of our firm as a whole here in the region, and then as you highlighted, the £46bn in Asia is actually Asian capabilities that we distribute both in Asia but also globally.

So, our goal is clearly that in the rest of the world we are well known for our very strong Asian investment capabilities, and we think there is still a lot we can do more there, and likewise in Asia, to hit the full reach that we can bring forward.

Now, Stephen touched quickly on sustainability. We have done a lot in the ESG space for a very long time and have a very good reputation in incorporating this into our investment process, so our goal is to accelerate that process particularly around the Asian investment capability, so if global investors are wanting to invest in Asia sustainable, they know where to call going forward.

Stephen Bird: Thank you very much, René. That was very useful. Let me come back to the last part of Haley's question which was capital strength and the regulatory surplus. I think you should judge us in the way that we create capital and invest capital. Over the short period of time that I've been in charge here, we divested businesses in the Nordics, we divested of Parmenion. We did that at a significant gain. We invested in Tritax, and last week they just reported record earnings and growth.

We are investing because we see a world of opportunity. Our clients are asking us to invest in order to improve the investments that they can make, and we're going to continue to do that.

I laid out our core asset management business, our Adviser business, and our Personal vector. For the first time, you can see clarity in the nature of those investments. So, we are actively evaluating where we can continue to invest, as we announced this morning the acquisition of Exo, and you can expect us to continue to do that in a very disciplined fashion. So, we're not signalling that we're giving capital back.

Hubert Lam – Bank of America: Hi, everybody. Good morning. I have three questions. Firstly, in your flows in private equity, private credit, and real assets, as you mentioned were good. Is H1 flow a good run-rate going forward, or what annual flows should you expect from these segments that we should be targeting?

Secondly, on costs, how should we think about costs in the second half versus first half? So, if you look at slide 2, you seem to show that this is the bottom of costs. Should we expect costs to rise from here?

The third question, again, goes to your capital position. Of the £1.7bn of pro forma surplus capital, how much of this can actually be used for M&A, and how much of this would you consider to be true surplus if you take into account a buffer? Thank you.

Stephen Bird: Thank you, Hubert. I'll just talk a little bit, and then I'm going to hand to Stephanie who is going to talk a little bit about cost and really thinking about cost in terms of operating leverage because what you want is jaws that are open.

If you have revenues going up, and your costs don't go at the same rate, you get operating leverage margin enhancement in earnings growth, and a growth business should look at operating leverage, a shrinking business just looks at cost. You can't shrink your way to growth.

In terms of private markets and the half year, we're very proud of the half year result. It was very good, but I think in much longer terms. We're not changing our guidance that we gave in March. In March we said this year, the full year, this is the half, this full year we would be arresting the decline in revenue, and from that we would then be able to inflect to a high single-digit revenue growth as a total group.

You can see very clearly in the pattern of results that we have just given you today that we have the Adviser business lights on, assets growing, and revenue growing. Likewise in the smaller Personal business and in the biggest, largest business our core Investments business, we've shown the best core performance since the merger.

So, I can't give you specific guidance on the private markets area. I can tell you it remains a focus, and we're proud of the half year, but within the context of the overall business, I'm not going to change our guidance.

Stephanie Bruce: I would just add also on flows that there's a number of areas, Hubert, as you've said, which have actually performed well and have created really good, positive momentum from the prior period, and that's very much a part of the parameters and our thinking that Stephen and I shared with you back in March. So, we're pleased with that momentum. Those are the parameters we're on, and we will continue to focus on that.

I'd also say regionally we've seen some very good momentum coming through in a number of areas regionally and particularly in the US and APAC, and that's obviously hugely pleasing as well. It's very much, again, part of the parameters that we set out to give our initial guidance.

I'll maybe just pick up on the cost point, you said basically how you should think about costs in the second half versus the first half, Hubert. I think what's important about it is understanding in the first half that we continue to exercise really, really robust cost management discipline across the organisation to make sure that we really are focusing and targeting our expenditure on the right costs.

You'll see from the slide that we've talked about that we have created underlying savings to the extent almost of 7% on an annualised basis. We will continue to take savings out of the business, but we will also at the same time invest in those areas which are going to help within those growth priorities that Stephen, René, Chris, and Noel are very much actively focused on every single day. That's areas where it can help us create capability, access markets, and really think about how we can open that growth with our clients.

So, I really think about the cost as we will continue to be very disciplined on the savings that we want to affect as we complete the whole transformation programme and as we look at areas where we don't quite have the spend in the right place, but we will also be investing.

I also think I would draw your attention to that we are seeing some increased inflation and regulatory costs as you would expect, but the bigger sort of offset to the savings that we are making is very much the decisions that we're taking as to where we want to invest for growth.

I think of it overall as H2 being a modest increase on where we are at the moment because, as I say, the underlying savings will continue, but we will see some additional investment going into the business.

So, again, Hubert, as we've explained I think before, and Stephen's actually just touched on in terms of his response to Haley's question, we are very focused on how we utilise that surplus. You're absolutely right. We obviously do have working capital, seed capital, and a buffer in there that we will continue to manage.

I would draw you back to what I said in the presentation as well. We have available capital that is not even in those numbers as well, and that also has to be thought about in terms of how we think about our available funds for M&A.

Andrew Crean – Autonomous: Good morning. Thanks for taking the question. A couple of things. I'm coming back really to the regulatory capital. Are you prepared to actually include a number as to where you want to operate relative to your capital buffers, or to date are you just saying there's excess capital but not enumerating? I think the market would like to be able to understand the tolerance levels there.

Then, secondly, plans for HDFC Asset Management side. I think you said on the Life side that you're prepared to sell down further. What are your plans on HDFC Asset Management? Thank you.

Stephen Bird: Thank you, Andrew. Thank you for your questions. I'll cover the HDFC Asset Management the way we're thinking about that, and then I'm going to ask Stephanie to talk a little bit more on the capital side.

So, HDFC Asset Management, if you think conceptually, we have an ownership position in an excellent asset manager in India, a fast-growing country, one of the great opportunities of the world. So, the challenge is I haven't yet been able to go to India, obviously I spent a lot of time there in the past, but since I came into this role, I haven't been able to go there.

I haven't been able to analyse the potential benefits and synergies of the stake that we have, but it's an open question for me, and I think that I owe it to you, and I owe it to investors to make that evaluation. What is the pattern that we expect in domestic investing in India? When do we expect domestic investing to become global investing because obviously if we see India start to invest beyond its own borders, we are a large global investor, and you would see significant opportunity for us there.

At the moment, our position has been that Life is non-strategic as we just did with the [sale raising] £700m of proceeds, but with the HDFC Asset Management, I want to explore that opportunity a little bit further.

Stephanie Bruce: Yes, Andrew, as you say we talked before about it, there's obviously a range of buffers that you have in place taking into account a number of cost/income ratiocumstances, the environment that you're operating in at any particular point in time and how you have deployed the other available sources of capital that you have.

Clearly, with the sort of strategy that we have set out, if I gave you a buffer figure today, it would clearly and obviously evolve.

I think the key point here is to look at the combination of our regulatory surplus capital plus our available capital because obviously that is the sort of financial strength that Stephen has spoken about in a number of different areas. We will very carefully manage that buffer to allow us to look to operate in those different environments as they unfold over the period of delivering that plan.

Greig Simpson - Exane: Good morning. Thank you for taking the questions. I think you mentioned you had an Institutional pipeline of won but not funded flows around £8bn. Do you have any colour on the type of product where abrdn is seeing momentum for these mandate wins? That's on the inflow side.

Is there anything to flag on the other side of mandates lost but not yet redeemed? I'm basically just trying to think about the confidence in and the timeline of, asset management flows turning positive.

Then, just the second question, in terms of the build out of Asia, how is abrdn thinking, if at all, about the onshore China market? So, we've seen a few asset managers applying or receiving licenses to run wholly-owned asset management businesses there. Thank you.

Stephen Bird: Okay, I'm going to throw the pipeline question to Stephanie. She may want to involve Chris, but I'll first of all just talk a little bit about China onshore.

There are a number of things that when we think about China. It's a huge opportunity. We have a joint venture in China already, 50-50 with Heng An is a partner there, and we actually have the only domestic/foreign pensions license. If you think about China today at $10,000 per capita, you know what happens when you hit $10,000 and you grow to $15,000, you see a hockey stick growth in pension contributions, and people start to really invest for the future.

So, we think further down the line we think that that joint venture is an important thing. It grows very well today. We have a good management team. It's something we're committed to.

We also want to have broader distribution in China mainland, and that is today often done through the Chinese mega banks. So, we are working on making sure that we too, have better distribution in mainland China. Obviously, I've spent a lot of time there and worked with these banks extensively as has our chairman. So, we're working on that.

From an investment standpoint, we have some fabulous funds. We have our China A Share, performance, for example, has been superb. The wobbles that we've seen in the concerns over Chinese regulation I'll just share with you the way I think about it. We're dealing with the Middle Kingdom. We're dealing with a country that has explained in great detail that there would be the value capitalism with Chinese characteristics, and as a consequence of the fact that politics drives policy, and policy drives progress in China, we think you should look through that at the opportunity of what is becoming the largest economy in the world.

That's what we're doing. As investors, we really need to take that long view, take that long view of the world moving east, understand the risks and opportunities within it, be highly selective in where we choose to invest, but not be blown off course by the headlines.

Stephanie Bruce: So, if I just pick up your point and your first question, Greig. You actually said in terms of the pipeline that I quoted that £8bn was for institutional. Just to be absolutely clear, it was for the Institutional and Wholesale broader [Investments] vector as well. So, I am going to come to Chris in just a second just for him to give you his colour on that.

I think the point that I would highlight is actually how we feel about the momentum that we have been creating here, and I'll take you back to the slide that I showed in terms of very much the narrowing in terms of the improvement of our gross flows and very much the reduction of our redemptions.

Why do we feel confident about that position? Because, actually again, as I say, the cost of the actual categories where we're really seeing that benefit it's a really rich series of our franchises that are starting to benefit from that. So, it includes the private equity, real assets and alternatives that we talked about. Private credit is positive, emerging markets, fixed income, all are seeing significant improvements but also moving into that positive territory.

Adviser and Personal, as you know, are already a good track record of creating the positive flows.

The one area that we are still working on is very much around the developed market credit and also emerging market equities, so those are the sort of key areas that we just have to balance off in terms of making sure that we understand the confidence of the outflows and how they will materialise.

Chris, I might come to you as well because obviously within the US we've seen really positive flow trajectory, and obviously you'll have a broader view having had very much taken the seat and leading UK and EMEA as well.

Chris Demetriou: Thank you, Stephanie. I think when we look at the pipeline going forward, what's pleasing about it is the breadth of capabilities that are contained within that pipeline. There isn't an overly dominant asset

class that's driving our pipeline either in or out on a go-forward basis. So, we are, as Stephanie pointed out, we're seeing that momentum building across the franchise.

We're also seeing activity rates pick up meaningfully in terms of search activity around some of the asset classes that have been challenged in our business from a flow standpoint like GARS and emerging market equities, so it's really encouraging to see that early search activity picking up in those areas and are screening well with our clients in those areas.

Stephanie touched on the US business, it's been a really pleasing story there over the last three years. It's a very important distribution outlet for our organisation. It was highly concentrated in strategies like global equities, emerging market equities, and GARS around three years ago which suffered from significant outflows.

Over that time, we've diversified the business. We've acquired our ETF capability and our precious metals capabilities, and that business is back to growing again, so real focus and simplification of the business together with diversifying the capability set for our clients is now leading both in the US and globally through a pipeline of a diverse set of assets with a real mix of blended revenue yield, a real mix of short-term flows like the liquidity profile together with long-term revenue streams in the private markets business.

So, I think we're very encouraged on both the diversification of the asset classes that exist within our pipeline but also the diversification of the revenue profile of that pipeline as well which gives us a lot of confidence to be able to invest in the business going forward**.**

Steven Haywood – HSBC: Hi, good morning. Thank you very much. You've obviously shown some progress towards your high single-digit revenue CAGR target. Do you think this is going better than you forecasted, better than you illustrated at the full year results in March? You showed in a graph predicting around 0% revenue growth in 2021, and now you're showing mid single-digit growth in revenue. Is this showing that you're ahead of your progress target, or do you think the majority of this is coming from higher-than-expected performance fees?

I have two other small questions, if you don't mind. One is on the remaining assets of Lloyd's Banking Group. Can you tell me how much is left to go?

Finally, on the tax rate in the first half, I haven't been able to see why this is so low. If you can provide an update there, that'd be helpful. Thank you.

Stephen Bird: Terrific. Thank you, Steven. I'll take the easy part first. So, Lloyd's we've actually been really clear on Lloyd's. We shared the whole pattern of outflows on Lloyd's, so £34bn still yet to go. It's actually very low margin, the tail that goes, but it goes in H1 next year, so that was factored into all of our numbers, and I think it was well known.

The other part of our question we think we made a strong start. You're absolutely right. When you have 7% revenue growth, 1% expense decline, and 52% growth in the earnings, and you go from 85% cost/income ratio to 79% it feels like a strong start, but we're going to stick with the chart that I shared in March and I showed again this morning because this is the half year, and we have a full year to deliver.

The team are very focused on the full year, and we've made a lot of appointments, talented appointments, and we've reconfigured to have clarity of accountability, but I would stick with the original guidance. This is the year of our arresting the decline, and do better we will.

Stephanie Bruce: In terms of the tax rate, Steven, it's as you say, we have a lower effective tax rate in this half-year period, and the principal reason is really to do with the change in the UK corporation tax rate which was implemented and enacted in May this year which therefore has changed the way that our deferred tax assets can be calculated, and therefore a benefit now flows through to our P&L which we would expect obviously to come through in the second half of the year as well.

Gurjit Kambo – JPMorgan: Hi, good morning. Hi, Stephen. Just a couple of questions. Just with Citibank, what's the product that you're selling nowadays? Is it like a broad suite of products, or are you going in with a narrow range of your best-performing products? So, that's the first one.

Then, just in terms of the operating margin in Personal, do you also believe that can get to 30% in line with the group target, and can you do that organically.

Then, I'll ask a question on the Adviser business. In terms of the number-one positioning, what do you offer different to what the other peers out there? What differentiates your advice business?

Stephen Bird: Well, thank you, Gurjit. Those were great questions. I'm going to throw it to René to first talk about the funds that we're offering to Citibank, and then we are going to hand it—before I throw it to Noel, let me cover the question on Personal margin.

I would say that the Personal business, it's a small business today, and it's just shown excellent growth because it's better than the cumulative period of the record, so we're happy with that. I wouldn't imply too much from that business at this point because its scale today doesn't match our ambitions. We are going to make that a larger business, and we're going to invest in it, and it will be through acquisition.We would do it organically, but the path to organic growth is going to be too long, so we will also augment it through acquisition.

Stephanie Bruce: Well, the only other thing I would add, Gurjit, is actually it's worth mentioning that the existing Personal vector businesses, as Stephen said, are relatively small in terms of our overall business, but actually it does split into two. There's Aberdeen Standard Capital, and there's 1825.

Aberdeen Standard Capital is already operating at a good margin, and therefore we would expect it absolutely to be very much a part of our overall target for the group.

The 1825 planning activity is a very different model, and therefore we have more work to do to get that to move directionally towards that target, but as Stephen said, actually I think that will be through two different methods of actually expanding the scale of that vector where we will see that change.

Noel Butwell: Thanks for the question, Gurjit. So, what makes Adviser special, well, first and foremost, people within the business is my very, very short answer to that because everything they do every day focuses on delivering for our clients and customers is what delivers the great results that we have so far this year.

I suspect the question is in relation to our competitors and what makes us different. What makes us different really, I suppose, is what we focus on, and we focus on and will continue to focus on differentiating competing on content and experience. The quality of our content and our investment solutions, our reporting, our tools, etc. and then the experience that the client firm, the adviser firm has in using those when they deliver their propositions to their clients.

So, I've talked about, and Stephen mentioned earlier as well, the easiest business for advisers to partner with in the UK. Why is that important? That's important because we have a capacity constrained market. Advisers want to take on more new clients, but they can't, so everything we are about is creating capacity.

How do we create capacity in a capacity-constrained market? By making our solutions more intuitive, the experience much more simple, and seamless and effortless which will allow advisers to take on more new clients, and people get the benefit of that advice, but we also therefore then get the flows coming to the business and the assets onto the platform.

So, that's what we're going to do. That's what we'll focus on. That's how we'll compete, and that's what will differentiate us going forward.

Stephen Bird: Thank you very much, Noel. We actually have a hard stop because we have client pitch to go to, and that is a very important thing to do, but thank you very much for your attention and your interest in us this morning. We're on track for delivering what we promised in March, and we'll see you again at the full year. Thank you.