Aberdeen Group plc

Q1 2025 AUMA and Flows Trading Update

Analyst call transcript

30 April 2025

Jason Windsor - Chief Executive Officer

Good morning, everybody and thank you very much for joining our Q1 trading call. With me today is Ian Jenkins, our Interim CFO. I'm going to focus on Q1 of course, but I'll also make a few comments about April, not least to pre-empt some of your questions.

First, starting with the highlights from the quarter, AUMA at the end of Q1 was £500bn. On the positives, we had strong inflows in interactive investor, but this was more than offset by market effects and outflows in Investments and Adviser.

Growth in interactive investor was strong once again with total customers up 9% year-on-year and this includes 29% annual growth in SIPPs.

Net outflows in Adviser of £(0.6)bn represent an improvement versus prior quarters driven by restored service, enhanced platform functionality and repricing.

In Investments, the Q1 outflow of £(6.4)bn largely reflects the redemption from the low-margin mandate I mentioned at the Full year results. I would add that following a large quant mandate in April, net flows within Institutional & Retail Wealth (IR&W) are, in fact, now positive year-to-date.

As we set out at the year end, our strategy is to become the UK's leading wealth business and to reposition our Investments business to areas of strength and market growth. We're a long-term player with a long-term focus and despite the heightened market uncertainty of recent weeks, we've made good progress toward our objectives this year. In fact, we haven't seen any significant client-led effects in Investments or Adviser. And in **ii** the only effect of note was higher trading volumes in the first half of April.

Now, turning to our businesses in a little more detail, starting with interactive investor, which has maintained the strong momentum seen in recent quarters. Total customer numbers are up to 450k, which now includes 88k high-value SIPP customers. **ii** achieved strong net flows of £1.6bn with AUMA increasing slightly to just under £78bn. And as a reminder, **ii** was number one in net flows in 2024.

During the quarter, we saw record levels of engagement with an average of 24k trades per day on the platform, which is an increase of 19% versus Q1 last year. These trends have continued into April with **ii** maintaining strong inflows, enhanced daily trading volumes, and sustained customer growth.

Earlier this month, we announced the acquisition of Jarvis Management's direct-to-consumer retail book. This small acquisition is expected to complete in Q3 for a consideration of around £10m and is expected to bring approximately £1bn of assets onto our platform. With impressive performance to date, **ii** is on track to meet its 2026 growth targets supported by an enhanced customer offering with the launches of the Managed SIPP, **ii** Advice, and **ii** 360 all soon to come.

Turning now to Adviser, AUMA was just under £74bn at the end of the quarter, down 2% compared to the year end, primarily reflecting lower markets but also net outflows of £(0.6)bn. Positively, this is a better quarter than achieved in any of the quarters in 2024, but we aren't where we need to be yet.

Following our intense focus in recent months, service is now working well, and we had a really good performance through the latest tax year end, but of course we have an ambition to do even better. Taken together with our enhanced platform functionality and the recent repricing, our target is to have at least £1bn of net inflows next year.

Investments, in spite of market headwinds, is delivering on its strategic priorities. AUM was down 3% in the period to just under £360bn, with movements in the quarter reflecting lower markets and net outflows. Most of the £(6.4)bn net outflow was driven by the £(4.2)bn mandate redemption I flagged to you all at the year end. This has gone through both our I&RW and insurance partners lines.

On the positive side, quarterly gross inflows in I&RW, excluding liquidity, were at the highest level for over two years and 30% higher than in Q4 last year. Within this, we saw a strong performance in fixed income with net inflows of £1.5bn in the quarter benefiting from a significant European pension client mandate. However, equities have continued to see elevated net outflows in a challenging market. I would mention that the £(3.3)bn net outflow in the quarter included £(0.7)bn in relation to a previously announced fund merger, as well as a £(0.7)bn redemption that will have a negligible revenue impact.

Following a £6bn quant mandate that was funded earlier this week, net flows across I&RW are now positive year-to-date. Looking ahead, we continue to target a material uplift in profitability with a 2026 target of at least £100m of adjusted operating profit.

At a Group level, we've seen encouraging trends since the end of the quarter with the large quant mandates win and sustained momentum in **ii.** Before you ask, Group AUMA is slightly up compared to the end of March.

Looking ahead, we're on track to meet our transformation target of at least £150m of annualised cost saving by the end of this year. Richard Wilson, our Group COO, is focused on driving further long-term benefits of transformation across our business and for our clients and colleagues.

As I said at the Full year and at the start of this call, our ambition is to be the UK's leading Wealth and Investments group. Not only are we committed to delivering on our 2026 targets, but also to transforming the Group's culture and our clients' experience.

With that, Ian and I are very happy to take your questions.

Q&A

Enrico Bolzoni, JP Morgan: Starting with Adviser, you mentioned you made significant progress this quarter. Can you confirm that all clients have been migrated to the new pricing structure, and can you give us some colour on how your pricing relative to the street?

I'd also like to ask a question in respect to cash balances in **ii.** These balances increased quite nicely, and you are growing your penetration in SIPPs. Are SIPPs a contributor to that balance growth? Can you remind us if SIPP clients typically have higher cash balances relative to clients that don't have a pension with you?

Jason Windsor: On the second question, yes. SIPP growth does contribute to that cash balance growth. Certainly what we see on our platform is that people tend to have slightly higher cash balances in SIPPs. We have seen, as you point out, a little bit of a step up around cash levels. If you take out the planning business, which we report in **ii**, we're at around nine percent in terms of cash within total AUA, and that's ticked up a little bit as we've grown in SIPPs. We'd expect that number to tick up slightly in line with the growth in the platform.

On Adviser, yes, the repricing on Wrap went through earlier this year. We did the new business repricing about a year ago and now the whole thing has been washed through.

On where I'd position us relative to others on price, I think we are now very competitive. The repricing that has gone through is not one price for every customer. There's tiering and there's obviously some degree of commercial deals that we would enter into. So across the piece, I think with the enhanced level of service, improved functionality and an attractive price point, it's a very competitive proposition.

Oliver Carruthers, Goldman Sachs: Just one question from me on the trading revenues in **ii**. Richard has flagged in the past that FX activity increases with trading volumes and pushes up the average revenue portrayed here. There's also been quite a bit of industry narrative of non-US investors repatriating some of their US exposure in the last few weeks. So, is it fair to assume that your trading revenues line in **ii** is actually running a bit higher than the plus 19% year-on-year figure in daily average retail trades?

Jason Windsor: Yes, FX is a corollary of trading. We did see a further step up in trading volumes in early April around some of that heightened volatility. I think we had four of our highest trading days ever in the first half of April. That will settle down pretty quickly and that wasn't just tilted to sell - there was quite a lot of opportunistic buying going on, as retail saw some pretty interesting deals. UK banks for example, and some of the high-quality names in the UK equity market did see a pickup in interest. That's settled down a little bit, as you might imagine, as markets have returned to whatever normal looks like, but the FX would've been equally a bit higher during that period, so that's right.

Hubert Lam, Bank of America: I've got three quick questions. Firstly, can you give us an update on fund performance? I'm just wondering how much of this could be driving the equity outflows you saw in the quarter.

Second question is on fee margin. Any update on that given the mix appears to be more negative with the larger equity outflows and also the quant win that you had in the coming in April?

Lastly on **ii**, you mentioned that you did the small deal for Jarvis. Do you think you'll probably do more M&A within **ii**'s space going forward?

Jason Windsor: On the deals, we've got some appetite to add clean books of business. We don't want complex integrations in **ii** and this was an attractive deal. Jarvis needed a solution, and we have the muscle to do that in a very attractive way to us, while providing a solution to the Jarvis customers. So that was a pretty straightforward one. I think if there's more similar deals, we certainly would be keen to allocate more capital to growing **ii**. So, wherever there's a value opportunity, we would look at that very hard.

On fee margins, the redemption that we had and the win that we had in quant broadly offset each other. So, there's not a huge impact of the two there. As the book continues to move away from active equity and more toward fixed income, quants and liquidity, you'll see the margin fall. We're still creating value, but it's a lower headline figure. I think at the Full year, we said below 21bps overall for Investments, I think that by the end of the year we'll probably be closer to 20. So, we will continue to see a little bit of margin pressure in the book overall.

On fund performance, overall our total performance in the quarter was 69% of our funds performing. I'm obviously not going to go through each asset class in turn, but some are doing better than others. We had a better April than we had across Q1, which I think plays well to our style. We continue to be vigilant on performance and Peter Branner, our Chief Investment Officer, and the whole of the Investments team are continuing to look for opportunities to improve performance. We have so many different funds, so I can't generalise, but overall there's still further work that we can do to improve performance and we're continuing to focus on that.

Hubert Lam: Any improvement on equity funds performance? I know we're just looking at one quarter, but any update?

Jason Windsor: I think overall Q1 had some challenges for some of the bigger emerging market Asia funds, but we had some strong performance in some of the smaller company and dividend income funds. Again, I can't generalise, but in April they actually reversed quite materially and performed much better. I haven't got the latest stats in front of me, but overall, we continue to be confident in our style, and confident in what we're doing, and as you say, we're not just looking at one quarter.

Gregory Simpson, BNPP Exane: Two questions. Firstly just on the Adviser business, it's good to see some improvement in the outflows, but I'm aware it's tax year end period and a number of peers have strong inflows at the quarter. What are you looking for to get flows positive by 2026 and how do you see the path from here? Is it linear improvement? Is it quite skewed towards next year?

Secondly on Investments' £100m adjusted operating profit target, how comfortable are you feeling with that given markets have maybe been a bit weaker relative to your business plan? Do you think there's a lot more you could do on the cost side if markets remain quite soft?

Jason Windsor: On Adviser, I don't want to be celebrating an outflow, but it is better than what we've seen throughout the last six quarters or so. There is a shift in momentum, and we are seeing a better pipeline and much better inflows. It's about rebuilding confidence with IFAs for them to come back to the platform. As I said a moment ago, we've got the proposition now and we're where we want to be in terms of service and platform functionality, but we want to do better. I'm pushing our guys to improve timeliness, improve Adviser experience, because that's the source of competitive advantage.

In terms of the flow outlook being linear, we've seen improvement throughout Q1 and we've seen a pretty decent April, which you would expect because of some of the seasonal effects. April's probably our best month in two years. Again, I'm not celebrating this, but the signs are better, and we are improving. The pressure is on us to get to the positive flows which we are targeting for next year.

On the Investments profit forecast, there are some headwinds from markets, but they're not huge. On AUMA, as I just said, we're actually up now in April compared to where we were at the end of March. March was of course down, and we saw a bit of FX and market movement, particularly in the second part of March, as everybody knows. That said, it's a 2026 target for a reason. We're still going through a transition and we're taking out some further costs this year. We do see 2026 as being clearer air as we look to trade through that. We have probably lost a little bit of the headroom, but we're continuing to work towards that 2026 target.

Nicholas Herman, Citi: Three questions from me. Firstly, in terms of institutional flows, your April guidance suggests that institutional clients didn't really react to recent market volatility. Why is it that and what are institutional clients telling you?

Second, on equity flows, did those outflows come before or after the Full year update? Then just to follow up on the Investments targets, I don't want to get into the usual analyst trap of getting overly carried away by a single quarter, but the mix shift towards low-margin assets is pretty significant. What level of mix shift or market drawdown would you need to see in order to be more cautious on your targets? Or, as the prior question intimated, what level of additional cost take out would you need to offset that?

Jason Windsor: On institutions, they are typically set up to invest with us for three years and that would be the minimum time horizon. It would be very reactive in the construct of what happened in early April for major institutions to start to redeem. We've seen a few little things around the edges, as people obviously aren't inert to events, and we saw a few of the wealth players redeem a little bit. It's not like there's no activity at all, but we certainly didn't see any major redemptions from institutional clients. I think it's part and parcel of their process and their investment objectives and the market that we seek to serve. I don't see a queue of redemptions, but I do see uncertainty on the horizon as well. So it's hard to be hugely forward thinking about that. However, there's certainly no distress signals that we're flagging at this point.

On the equity flows, I can't remember exactly when they were. We knew when the fund merger was happening because the decision was made in September, and it just took time to process. I think there was some before and some after the results, but I can't recall precisely when.

On the third question on costs, we do have cost levers and we've pulled a number of those and we've continued to seek efficiency and opportunities for us to be more automated, and to provide better service while cutting through some of the structural costs that we have - whether it's in platforms or whether it's with third party providers or frankly in some of the functional areas. We've made good progress on that. We had over £100m of run rate saves last year, that's obviously ticking up. We'll give a more formal update on that at the Half year, but we are very much on track for £150m of run rate costs out in the Group, of which £120m, at least, will be in Investments. There's further we can go, and with Richard's appointment as COO, we are continuing to seek that re-engineering of the organisation to be more automated and to find more efficiencies. At the same time, we want to grow the place and hence we've got the strategy, and we've got the product mix. Under Xavier's leadership, we do believe that we can grow the organisation. It will take time as we tilt towards our go-to-market product suite, but that's also part and parcel of the way that we see the business and hence the financials progressing.

Nicholas Herman: Got it. So I guess to paraphrase it, you need to see a much greater deterioration in markets in order to become more cautious because you have further levers to pull?

Jason Windsor: That's broadly fair. I mean your words not mine, but I'll leave it there.

Mandeep Jagpal, RBC: A couple from me please. The first one is on the insurance mandate loss - only £(4.2)bn redeemed compared to the guidance of £(5.0)bn. Is there any details of when the balance will be redeemed, and which asset classes it will come from?

Second, on the pension scheme, obviously significant market volatility in April and I wondered what kind of hedging and other protections you have in place that underpin that £35m cashflow that comes out the scheme. Is there a realistic economic scenario where the scheme is unable to support that payment?

Jason Windsor: On the first question, I think there's a little bit of catch up. £(5.0)bn was an estimate anyway, there might be a little bit of catch up through Q2, but nothing major. I think anything residual will go through insurance. It might be a few hundred million, but it's not huge In the context of what we do with Phoenix.

On the pension scheme, it's pretty well protected and it's quite conservatively invested. I think we will probably increase the investment risk a little bit. We haven't done anything of late to do that and it's still likely to be more credit than to more volatile sources. The benefit I talked about at the Full year results is a relatively small percentage of the economic surplus, and I think is very well protected from market events. And it's a combination of the total level of surplus and also the quality of the assets and some of the interest rate hedging that's in place on the scheme.

Steven Haywood, HSBC: Do you foresee any large mandates coming up for redemption in the next quarter or rest of the year? I think you may have already flagged that you didn't see anything in the pipeline here.

Secondly on **ii**, can you give us a number of gross new customers added in the quarter? I think you have previously given that figure. And then it would be helpful in terms of marking **ii** to market if you could give us some sort of asset mix split as in **ii** between US equities, other equities, fixed income, et cetera, that would be helpful.

Jason Windsor: I think I did answer the first question, and the answer is no, there's nothing looming on the horizon in that regard. We expect about 15% of the book to redeem each year, so we were a bit above trend in Q1 because of the insurance mandate, but I think that's broadly the guidance that I would give you.

In terms of gross customer growth in **ii**, I think it's about 16k. So it was 11k net growth with 16k gross new customers. On the asset split within **ii**, that might be one for us to get back to you with after the call, I don't have that to hand.

Bruce Hamilton, Morgan Stanley: Just to clarify, on the April AUMA being slightly up versus March, does that include the quant win? Secondly on equities, I wondered if there was any indication of client sentiment actually improving as people get a bit less keen on the US?

On the service improvements in Adviser, can you be a bit more precise? What's the key change that you've made that's really driving that improvement?

And then a final question on the market and FX moves. They are a bit more negative in Q1 than I expected, is that mainly FX?

Jason Windsor: On the first question, yes. The number I gave you for AUMA for April did include the quant win. We saw a little bit of negativity from markets, but not huge. Some of that is FX, the Dollar and the Asian currencies are weaker relative to Sterling and the Euro is a tiny bit stronger. So, it's a bit of a mixed bag there, but we're slightly up across the month.

On sentiment to equities, we're asking the same question, and we have seen more interest in global emerging markets in the last month. It's been out of favour for some time, and I think there's the logical answer that you see the valuation opportunity there, you see the quality of the companies, and you see the absolute opportunity in the market. We do anticipate with significant change to the way markets have been configured, a more balanced approach to investing across different geographies and different sectors. I'm not calling out that we're seeing a pipeline building, but I'm certainly saying that we're seeing increased interest in those areas.

On the third question regarding Adviser service improvements, I think the key thing is the amount of time it takes people to get their money. So, there's answering calls, which is a hygiene factor and that's sorted – it's working really well. We spend a significant amount of time on the phones, but the call answering time is actually excellent. The amount of time it takes people to get their money is not all within our control because often it involves *in specie* transfers from third parties, but we've sorted out that process. So, everything that was within our control, and within the control of FNZ, is working. There are no gaps in that process, and it's as automated as it can be. There were some glitches, frankly, requiring manual interventions, but we've tried to engineer those out. There's still a little bit to do, I'm not saying it's perfect in all regards, but we are continuing to seek a better service experience. While we'll always present the averages, it's important to note that the problems are in the tail. We're try to ensure that everybody gets a good experience – I want everybody to be at the average, if that makes sense. So, we're continuing to push harder to be better across the board there.

On the Q1 movements, yes, there was some FX jumping around in terms of the Asian currencies. There was a market movement of £(6.1)bn for the Group, I think FX was about 20% of that. So that might've been why we're slightly below your estimates, but there's nothing else that we can signal to you.

End of Q&A