# Transcript

## Legal & General Capital Markets Event
## LGIM June 2018

**Wednesday, 20 June 2018**

Nigel: Thank you, everyone, for coming to the LGIM capital markets day today. As you can see, LGIM is built for the future. Here at L&G we have a unique collaborative model between our divisions. It's all about teamwork. Our culture is very much about being one firm, one set of values, one set of behaviours right across the world and indeed you'll see that today from my outstanding colleagues within LGIM.

L&G's also about growth. We're attacking huge addressable markets, not just here in the UK but across the world with very large profit pools. We have an outstanding or strong management team pretty much in every division across our business who are excellent at execution.

Some of the examples of that are LGRI where Laura Mason is looking at large-scale DPA deals now, something we never thought of a number of years ago. We have a back book that we're looking at or books that we're looking at of about 25 billion. In the days when Simon Gadd ran it, it would be three, £4 billion at any one given time so a massive scale-up.

We're also looking at international following the example and leadership of LGIM. In LGR Chris is looking at lifetime mortgages and you can think of lifetime mortgages as very much like the ETF business, where we were late arrivers in the market but with huge upside opportunities. Pension innovation is also something that Chris and the team are looking at.

LGC; Kerrigan switched from LGR, our largest profit pool business, to LGC because of the huge potential. LGIM has all of the above. It's got a large addressable market. In the days before Mark ran the business it was largely a UKDB index business and that's indeed what probably most of you think about the business and remember the business as.

But now we've got an £80 trillion addressable market across the world, rising in the next seven or eight years to perhaps $120 trillion. We've got an outstanding strong management team. 11 of my colleagues are here today to give you the LGIM narrative. About another dozen or so are in the audience. The presenters today; there're 11 of them, six women and five men. That's a great example of our 50/50 by 2020 diversity programme.

We undoubtedly have the best team we've ever had in LGIM in the history of LGIM. We've also got excellent execution across the business. You'll hear Emma talk about the DC business, where we've successfully integrated the old workplace savings business and savings into the very much more dynamic business that Emma's going to talk about in LGIM.

You'll see Aaron talk about America. Aaron and the team have proved that we can extend our model across the world, delivering high growth and great margins and indeed we think that's applicable to many other geographies and Sarah's going to talk about some of those geographies.

We've got a huge opportunity in personal investing. Helena's going to talk about some of the exciting things that she's bringing to the group. Our retail business again, which was a lethargic business in savings a few years ago, has been transformed under LGIM's ownership and Honor's giving a very brilliant presentation on how much better the business can be going forward.

Real assets; real assets under Bill's leadership has just grown and grown and grown over the last five or six years in particular and again it's just got huge optionality for growth. So what we have is a very diversified model across the world, across product lines, across channels with great people doing stuff.

I'd also like to mention a few words about Mark - just have to get my hanky out - I'm upset about it. Mark has been a terrific colleague over the years. We haven't always seen eye-to-eye on everything but he's demonstrated outstanding leadership and he has built and will leave as a great legacy a globally trusted brand in LGIM and indeed in L&G and has built an outstanding management team, who you will see here today.

He's created huge amounts of diversified growth opportunities for us in all parts of L&G, not just in LGIM but in LGR and LGC because we have this unique synergy model and there're great opportunities for growth. So with that, Mark, I'll hand over to you to deliver the message. Thank you.

Mark Zinkula: Thank you, Nigel. It's good to get that on tape. I'd like to welcome everybody here today. I'm delighted to see such a strong interest, the high level of interest in LGIM. We're very proud of what we've achieved over the past seven years. We've delivered strong profit growth and have supported the growth of the broader group. As you'll hear today, the diversity of growth engines sets us apart from many of our peers and we're very well positioned to continue delivering strong growth.

You'll hear from many members of the leadership team. We have a very experienced and diverse team, as Nigel mentioned, who've been driving the rapid growth across an expanding range of investment capabilities, client channels and regions. With such a capable, collaborative leadership team this business will not miss a beat when I step down next summer.

I'll begin by focusing on what we've achieved over recent years, look at how we're positioned in the broader market context for asset managers, before honing in on what we see as our core competitive advantages. Our CFO, Siobhan Boylan, will spend a few minute sharing some key metrics about our business, including how we're investing to maintain our growth trajectory. I'll then summarise the three key strategic themes throughout our growth plan before turning it over to members of the team, who will go into these themes in much more detail.

The first is broadening our investment capabilities. Anton Eser, our chief investment officer, along with Bill Hughes, Chad Ravkin and Meryam Omi will explain how we've developed our investment capabilities to meet evolving client needs.

Then after a short break we'll explain steps we're taking to address the UK savings gap. Emme's going to explain what has made us the number one player in the fastest-growing DC market in Europe. Honor Solomon is going to talk about how we've repositioned our intermediate and retail business and Helena Morrisey will explain the ambitions of our D2C or personal investing space. We'll finish by covering our third strategic theme, which is internationalising our core institutional strengths.

Sarah Aitken will explain why we remain confident about our business and our core UK DD market and how we're expanding into Europe, Asia and the Gulf. Aaron Meder will finish the afternoon by sharing our growth plans for that region. We'll then make sure we have plenty of time for Q&A at the end.

So I'll start by explaining how our business has evolved over the past several years. During the past decade LGIM has experienced steady asset growth and is now approaching £1 trillion of assets under management. We were around the 50th largest asset manager around the world a decade ago and now, depending on where the exchange rate is at on any given day, we're around the tenth. Go back ten years and, as Nigel mentioned, two-thirds of our assets were in index funds and this continues to be a very important core area of expertise for us with still over a third of our assets in index. We've greatly diversified our investment capabilities over the past several years, as you'll hear about throughout the afternoon.

We've also experienced steady growth in operating profits. This slide illustrates the consistent strong growth in earnings over the past decades from a business making £143 million in 2007 to £400 million last year, an annual growth rate of 11% and an increase in profits every year. This has been a challenging period, post the financial crisis, of real differentiation and consolidation in the asset management industry, which makes our consistency of growth that much more remarkable.

As these graphs illustrate, we've outperformed the broader asset management industry during this period by any metric, whether it's asset growth, profit growth or net flows. Virtually all of this growth has been organic and we've delivered this performance while executing a complete transformation of our business. We've gone from a primarily one-dimensional strategy focused on managing index and active sterling credit funds, UK DB pension schemes and internal clients, to an increasingly diversified and global business.

We'll look at how our investment capabilities have developed on this slide and how our distribution strategy has expanded on the next slide. You can see the impressive double-digit annualised revenue growth in real assets, which consist of a range of property, infrastructure and private credit funds, solutions which include multi-asset and LDI funds and active strategies which mainly consist of global fixed income and also active equity funds.

Our solutions business in particular has been a real success story, starting as mainly a hedging LDI business and expanding into active LDI, fiduciary management and a rapidly growing range of multi-asset funds with an increasingly global footprint. So we now have a much stronger and more diversified set of investment capabilities.

We've developed these capabilities to meet the needs of our clients in the UK DB channel as well as other client segments and regions we've targeted for growth, which you'll hear about more over the course of the afternoon. We've built the teams, strengthened our investment processes, developed investment capabilities and products in areas that are experiencing increasing client demand and generated strong track records, which positions us very well for the future.

I'll now discuss how our distribution strategy has evolved. As you can see, total revenue from our traditional areas of focus, the index funds and act Australian credit, in combination with revenue for managing assets on behalf of internal clients, has only slightly increased in the past six years. This is due to UK DB clients implementing derisking strategies which involve selling equities and the gradual decline of our mature savings business, partially offsetting growth in our annuity business.

However we've generated impressive growth in other areas of our business to compensate for the structural shifts in our traditional business models. We've delivered 19% annualised revenue growth in a new range of products for our UK DB clients as they've started to derisk and as the UK pension market shifts from DB to DC we've also been well positioned for this trend and have experienced 18% annualised revenue growth in the DC channel.

We've also had strong revenue growth in retail. This business shifted across from another part of the L&G group in 2013, as Nigel explained earlier. Adjusting for the transition of revenue we've experienced 10% annualised revenue growth in this increasingly important business as the transfer from institutional to individual ownership of assets continues.

While still growing in our home markets we've also expanded internationally, especially in the US with growing momentum in Europe, Asia and the Gulf. Annualised revenue growth from international clients has been 39%.

These last few slides illustrate the vision and strength of our leadership team. As the asset management industry goes through a challenging period of consolidation we've been able to successfully identify trends in client demand and have developed investment propositions to meet these evolving client needs. The team have stayed focused and played to our strengths. Their leadership has enabled us to deliver strong annual revenue growth across the range of new products, client channels and regions, in most cases areas where we literally had no or at best very little presence just a decade ago.

We'll go into more detail on all these areas of growth throughout the afternoon. As I mentioned earlier, this transformation of our business has occurred during a period of change and consolidation in the broader industry. For many firms most of these industry trends represent headwinds but for LGIM most are tailwinds. There's a large retirement savings gap in the UK and it's a global problem. Many corporate pension plans are underfunded and pay-as-you-go state pension systems are facing fundamental demographic challenges.

Here in the UK the dependency ratio, which is the number of workers per retiree, is set to fall from about four now to about two in 2050 and the numbers are similar for the US and the rest of the EU. In addition to the challenges in the DB market consider the shift from DB to DC occurring in the UK and globally. When there is extensive data indicating most people aren't saving enough for retirement ultimately there needs to be an increase in retirement savings and the industry needs to be more innovative to encourage investments in products which meet customer needs.

This is a huge opportunity for LGIM. We specialise in managing pension assets. It's the vast majority of our AUM. We're the market leader in product innovation in the pension sector, which is evidenced by our strong growth in solutions. We're the largest manager of both DB and DC assets here in the UK and are experiencing rapid growth in pension assets globally.

Another trend is fee and cost pressures are making scale and operational leverage more important. There is increasing fee pressure due to greater transparency, more regulatory focus and a low-return environment. Meanwhile a variety of factors are putting upward pressure on costs. As a result it's increasingly important to have both scale and a lean operating model to succeed.

As Siobhan will cover shortly, despite investing extensively in our business we have delivered strong growth while maintaining a market-leading cost/income ratio which demonstrates our very scaleable business model.

Another trend is the impact of technology. It is pervasive. People increasingly expect to be able to do everything digitally. Through investment in technology we can operate virtually all aspects of our business more efficiently. Again, Siobhan will talk you through the investments we're making to harness the power of technology and enable our customers to interact with us through digital interfaces.

We're also experiencing a fundamental change in product demand from actively managed versus market benchmarks to passive, multi-asset and LDI solutions and alternatives, all shifts we anticipated, as you saw earlier, in the repositioning of our business model.

We're also seeing a growing appetite for responsible long-term investing and greater focus on corporate governance and stewardship. Again, these are areas where we have demonstrated market leadership. While you continually hear about the challenges facing the asset management industry we're positioned to mainly see opportunities.

In the context of these market trends we believe six factors give us a competitive advantage. Our investment capabilities are excellent with strong performance and they already map against our clients' evolving needs and position us well for the future.

We have a unique client-oriented culture and solutions philosophy which has underpinned our success in the UK and is now resonating globally. We maintain leading cost-efficiency, which is vital in the current environment and we're seeking to continue this advantage by investing in technology across our business.

We're well-positioned to capture assets as responsibility for retirement savings shifts individuals with innovative and good-value products and a scalable operating model. We're market leaders in active ownership in ESG, which is an important advantage as these areas become more mainstream. Finally we enjoy several unique benefits from being part of L&G group, partnering and managing assets on behalf of LGR and LGC.

I'll discuss each of these advantages in a little more detail. Earlier I mentioned our business is well positioned for trends in customer demand for products. This chart illustrates this point. Only 5% of our assets are in active core strategies, a category that's been experiencing outflows in the broader industry on an ongoing basis for several years. You can see demand has been increasing and is expected to continue growing for products and strategies and categories of index solutions, active specialties and alternatives.

95% of our assets are in these growth categories and we aren't resting on our laurels. We're continuing to listen closely to what our clients tell us and we'll remain at the forefront of the industry in developing products that meet our client needs and expectations and at a fair price.

In particular we're developing a broader range of outcome-oriented solutions utilising our factor-based investing and ESG skill sets and our fiduciary management proposition is well positioned for future growth as that segment receives more regulatory focus.

When people talk about LGIM they often mention our culture. We have a unique culture which is extremely client-focused, collaborative and entrepreneurial. Everything starts and ends with our clients. We listen to them and respond to their changing needs. As a result they not only stay with us for a long time but also give us more of their assets to manage over time. This client-centred mentality is why we've been at the forefront of the recent movement to more outcome-oriented solutions.

The rapid growth in demand for LGI and multi-asset solutions has enabled us to deliver impressive growth in these areas such that, as you saw in the chart earlier, roughly half of our assets are now in this category and this remains an important differentiator as we expand internationally.

When we entered the US market approximately ten years ago we positioned ourselves as an LDI solutions provider and established a range of active fixed income funds to support this proposition. We've continued to incrementally build out our investment capabilities and distribution focus and now manage £140 billion of assets out of our Chicago office on behalf of US and international clients.

We've since taken steps to expand into other target regions and manage substantial client assets in both continental Europe and the Gulf. More recently we started building out our presence in Asia and now have offices in Hong Kong and Tokyo. Our international expansion is gaining momentum with higher net flows in all regions last year and assets from international clients representing over three-quarters of our total net flows.

Another key competitive advantage is our efficient operating model. Siobhan's going to focus on this topic in more detail but let me share just a few highlights. Our focus on operational efficiency translates into a market-leading cost/income ratio and enables us to offer excellent value of money to our clients and we cannot do this without the right technology now and in the future.

Our technology underpins our investment management activity where we generally develop our own proprietary systems. It underpins our efficient operating model and increasingly how we interact with our end customers especially in workplace pensions and personal investing. You'll hear more about our investment in technology and how it's giving us a competitive advantage throughout the afternoon and you'll indeed see what these technology investments are delivering for individual customers from Emma later on today.

An increasing amount of technology spend is supporting our fastest-growing channels in the UK. You saw earlier that we've experienced tremendous success in the DC business over the past few years. Just as we've created a range of products and strategies for corporate pension clients as they move along the DB spectrum we're replicating this approach in the DC market. We've established a comprehensive business model for all clients irrespective of the nature of their DC scheme and how it may evolve over time.

We're now the largest manager of DC assets in the UK with over 18% market share and have the largest and fastest-growing master trust. The trend from DB to DC is leading to a broader trend of individual ownership of assets and we're giving more focus to the intermediated and direct retail channels. Just a few years ago we had no meaningful retail footprint and yet in both 2016 and 2017 and again in the first quarter of this year we ranked third in net retail flows in the UK, a truly amazing success story.

As direct-to-consumer platforms are becoming increasingly common people conduct more of their daily lives online or via mobiles, whether it's purchasing items, doing their banking or simply communicating with family and friends; reading, buying, banking, communicating and now investing. Engaging with customers is becoming more digital and less intermediated and our industry is no exception. We're launching a differentiated D2C in our personal investing business this summer and expect this to be an important growth driver.

Sticking with the generational shift theme, people increasingly want to invest in a way that's consistent with their values and beliefs. This comes across very strongly in the millennial generation but there is also growing interest in virtually all client segments, retail and institutional investors around the world.

People care about financial returns but they also want to better understand how their money is invested and if it's having a positive impact on society. Funds such as our expanding Future World range allow customers to do this with respect to climate change and gender diversity and we're launching a broader range of funds to give customers more investment options.

A myth persists that investing in a more long-term, responsible way negatively impacts returns but this is not the case. People can invest responsibly without sacrificing performance and if the product development and investment process are designed appropriately they can likely enhance performance. We believe we have a duty to promote the highest standards in corporate governance and take a long-term approach in making investment decisions on behalf of our clients.

Another important competitive advantage stems from LGIM's partnership with other parts of the L&G group, especially the L&G retirement and L&G capital divisions. While LGIM drives a significant portion of LGR's and LGC's profits the benefits of these partnerships go both ways. LGR's position as a large and respected annuity and pension risk transfer provider allows us to engage with clients on a full range of derisking options. This is an important differentiator in both DB and DC markets since both individual and institutional pension clients are seeking ways to offload longevity risk.

LGR's appetite for illiquid investments has provided us with the opportunity to more rapidly grow our direct investment business. A growing number of our external clients have similar requirements and we're well placed to meet that demand.

The relationship with LGC is also strategically important as we partner across a growing range of activities in urban regeneration, housing and infrastructure, and an important provider of seed and co-investment capital, which has allowed LGIM to more rapidly grow its business. I'm now going to hand it over to Siobhan, who will take you through a few of our financial metrics.

Siobhan Boylan: Thank you, Mark, and good afternoon. I'm Siobhan Boylan, I'm the CFO of LGIM and I've been here just over five years. As we've shown, over the past few years we've delivered strong growth and changed our profile, as a result of which our revenue is much better diversified. This makes our business much more resilient and able to withstand challenges to particular channels and asset classes so we've growth and strengthened.

The numbers here show LGIM's size and scale today. I'm going to take you through the financials in some detail. I will expand on our exciting revenue growth and comment on the fee environment. I will focus on the investment in the business, address the regulatory environment and finally illustrate the benefits of us working as part of the L&G group.

We continue to grow strongly and we measure this through our net external flows as a percentage of opening AUM and the revenue these flows generate. This slide shows that we generated 4.9% of new business on this basis in 2017 and this has been a consistent positive number over the past few years and has been greater than the industry average of 1% to 2%.

You should also remember that each year we assume we will lose assets as our pension clients realise their investment to pay pensions and this is shown by the outflows on this slide. Of course this is precisely what the money was always intended for. Our persistency is around 90% on an annual basis and has been for a number of years. Inflows of 14% of opening assets are therefore needed to offset this expected persistency.

As you can see, 2017 was another strong year of growth with our external net flows of £43.5 billion very diversified both by asset class and client channel. Around 75% of net flows were from our international businesses. Our distribution team generated positive net flows in all channels.

Internal net flows were marginal last year. Within this are outflows from mature savings and inflows from LGR's net new business. Following the sale of the mature savings business we've retained these assets through a long-term IMA with Swiss Re from the part selling date. We see this as an important relationship as we look forward. Finally market returns were high in 2017 following strong equity and bond markets although our mix is more weighted to fixed income.

The industry has been going through some fundamental changes and there's been downward pressure on fees. This is not only a move from active to passive management but also within the passive market. The impact of the asset management study and transparency on disclosures has been felt across the piece. In common with others we've seen pressure on our fees and you see this demonstrated on the slide as we've moved to 8.2bps. We've though always focused on costs and fees and this has enabled us to disrupt markets and there is and has been a huge demand for our capabilities.

We're also benefiting from strong demand for our high revenue margins such as multi-asset, real asset and within the index business fact-based investing and ESG products, which has helped to offset pressure on index fees.

You can see this on the slide as the mix of higher-margin products, of active and real assets has grown from 36% in 2013 to 41% in 2017. The mix of business is evolving and these high revenue margins mean that we will stabilise our fee to fund ratio of approximately 8bps. We broadly expect to maintain this although obviously our new business mix will vary from year to year.

Turning now to operating profit, we've seen substantial and sustained growth in LGIM's operating profit over the last five years. We've also maintained a market-leading cost/income ratio at around 50%, as is so powerfully shown on this slide. This market-leading cost/income ratio is fundamental to our business model and we remain focused on maintaining this ratio around this level while continuing to deliver growth.

This is an important differentiator in a market where our competitors face pressure to reduce theirs. Looking at our costs, we've seen increases in our cost base over the last five years through natural growth and increases in market-related costs such as custody and third-party AUM-related cost, which are included in core expenses shown on this slide at a 5% compound annual growth rate.

However we've also specifically been investing in the business to deliver growth both now and into the future. Each of these investments has been targeted to meet our clients' needs and diversify the business. So what have we done? In the last five years we've built a manufacturing base in Hong Kong - that means office space, training capabilities and distribution - built an index business in the US, built a global multi-asset team based in London, created a distribution network in Europe and built a private credit business in the UK.

More recently we've established an office in Japan, started to build out our DC and private credit capabilities in the US and launched our ICAV index fund range for Europe. Each of these projects has meant some up-front investments and unit costs will be higher at the start. As we reach scale in new products and capabilities we expect the unit cost to come down.

We've also made investments in our core technology platforms. In five years we've increased our investment in technology and data by 36% on a compound annual growth rate. This investment has been to automate and simplify operations, improve our scalability and make us more responsive and adaptive to our clients.

Let me give you four examples. We've been evolving our investment management technologies to create consistent views across our strategies for our portfolio managers. We've been globalising our training capabilities across the US and Asia to allow us to trade in local markets, creating more streamlined client interactions using better web-based tools and finally using robotics to enable continued growth and leveraging our cost base.

These examples show the breadth of investment we've made and delivered client proposition and enhanced client engagement leading to the growth of our revenues. We've invested all this and maintained our cost/income ratio.

Our digital transformation work is more recent and started over the last 18 months. We've commenced a programme to upgrade our capabilities in our customer-facing businesses of DC and personal investing and I will come back to this shortly.

The last five years have also seen a significant regulatory change, some in particular like MIFID2 and the asset management study providing a new level of scrutiny from regulators and commentators. We've had to respond to these challenges. We've invested using our scale and a greater use of technology and innovation to ensure we meet the regulations, again always in our cost/income ratio. Some of these changes represent opportunities for our business, focused as it is on client needs, transparency and value for money.

With Brexit we've been preparing for this and as of last month have our new management company regulated by the Central Bank of Ireland and are operational in Dublin. This means we are ready to continue to meet the needs of our European funds' clients.

I would now like to touch on our workplace admin business. As you may remember, this transferred to our management team at the start of 2015 and there are two component parts to this business; asset management and admin. The asset management AUM and related revenue and cost sits in LGIM and always has done. The admin revenues and costs don't so they don't impact our cost/income ratio. This is essential in order for you to be able to analyse us as an asset management business and compare us to our peers.

The business broke even in 2017 and we expect it to make a small profit in 2018 as we reach scale and most importantly achieve unit cost reductions and we expect to see further scale benefits into the future.

We continue to separately report it as it is a fundamentally different business model and we want to make sure you can compare our businesses with those of our peers. Admin businesses operate with a different margin profile and we are working to ensure we build this business in a truly scalable way and Emma will talk to this later.

I would like to touch on seed capital. Seed capital is important to launch products. One of the benefits of being part of the L&G group is to access to capital to support the growth of the business. Our clients can also provide seed capital where new strategies meet their requirements, illustrating the benefits of building long-term relationships with our clients.

A very good example of this was the launch of the Future World fund with HSBC in 2016. Another example has been internationally. Our index business in the US was seeded by external clients. The process by which group provides us with seed or co-investment is, as you would expect, rigorous and is primarily focused on the launch of new capabilities and the amount we need fluctuates depending on our product innovation programme and availability of seed from external clients.

The graph here shows how L&G has seeded funds over the period. Our joint success of this is demonstrated by revenue growth which these new funds or capabilities have achieved. In 2017 new funds launched since 2014 represented 20% of total revenue.

As we look to grow further we've secured capital to invest in some larger-scale projects and I would like to go into this in some more detail. Firstly I mentioned that we are investing in our DC and personal investing businesses. Approximately £60 million is being invested over the next three years by group and LGIM into new digital capabilities that will benefit a number of areas. This is part of a group-wide digital programme and is an important component of our growth plans for these areas.

This investment will be through both group and LGIM's P&Ls starting this year. So what does this cover? The investment encompasses a number of activities, including enhancing the front-end user experience for our clients and customers so we drive higher engagement, greater use of data analytics as we want to understand their needs, and upgrading our customer operational platforms. We are not re-platforming. The way our technology is built, this is a much more cost-effective way for us to deliver. There are specific objectives to grow revenue and also, very importantly in these businesses where scale really matters, bring unit costs down.

Secondly, we announced last year the acquisition of a small ETF business, Canvas. We were keen to enter this market and wanted to ensure that the culture of the team and products met our requirements and that we could make the acquisition on attractive terms.

The Canvas business has brought some exciting and innovative products and a team keen to grow further with the backing of a strong parent with broad distribution reach. We completed this transaction mid-March and at this point assets under management were £2.7 billion. We are integrating the business into LGIM and expect it to grow rapidly. We will report this business separately. The cost of the build-out of this team will be included in the operating profit and we will report our cost/income ratio with and without the acquisition of Canvas. We expect the business to break even by 2020. Chad and Honor will take you through this exciting opportunity in more detail later on.

Just before I hand back to Mark let me summarise what this means for our future growth. Our current plan runs through to 2022 and has our cost/income ratio at about 50% at the end of this period. For the next two to three years we expect it to be slightly above 50%. This is due to these investments for growth and the impact of the ETF acquisition as Canvas breaks even during this period.

Looking forward, dependent on markets we believe a combination of net flows and stable pricing should lead to continued strong revenue growth. With an ongoing focus on costs and manageable investment and expecting to keep the cost/income ratio broadly constant this should translate into an 8% to 10% operating profit growth over the medium period. With that I'd like to hand you back to Mark.

Mark Zinkula: As I mentioned earlier, we've structured the day around three core strategic themes. The first is broadening our investment capabilities. We're building on our success in global credit by expanding into high-yield and emerging market debt but we have outstanding performance and are now starting to gain traction in raising assets. After successfully building a real asset business in the UK we're further developing our private credit capabilities and starting to expand in other target regions as we internationalise that business.

Index products continue to evolve and we've positioned ourselves to capture the growing appetite for tailored market exposures such as factor-based investments. Much of the market share in the space has now been captured by ETFs, which is why we recently completed the purchase of an ETF platform to enable us to compete in this space and we'll continue to invest in our solutions capability.

As we saw earlier, client-specific objectives have become the norm. This requires both the ability to access the right building blocks and the expertise to package them as tailored solutions. Within solutions we're especially optimistic about our ability to grow multi-asset and fiduciary management. Finally we've launched the first fund in our Future World range with more to follow.

Our second core strategic theme is addressing the UK savings gap. Financial products used to be sold, not bought. However, as I talked of a few minutes ago, savers are becoming more sophisticated and more demanding and increasingly engaging digitally. We'll continue to expand our presence in the UK DC market and are investing in member engagement and digital communications, which not only enhances the customer experience but also improves the administrative efficiency of this business.

Although we quickly jumped from well outside the top ten to consistently top three in UK retail net flows our ambition is to get to number one and we're now expanding into the European wealth and retail markets and we're now taking major steps to become a major player in the direct-to-consumer or personal investing business.

There's an increasing trend of members of workplace pensions consolidating their assets into individual SIPPs and using alternative savings vehicles such as ISAs to supplement their retirement so our workplace members of today will become our personal investment customers of tomorrow.

Finally with regard to our third strategic theme we're building on the tremendous early success of our international expansion. We expect double-digit percentage growth in our target regions for the foreseeable future. We've experienced virtually unprecedented success growing our US business during its first decade. We've now entered the next phase of growth, expanding our investment capabilities and broadening our distribution focus. We're building on our record year of inflows in Europe as we expand our presence in this region and we're building on our footprint in Asia, adding established offices in Hong Kong and Tokyo and developing strategic partnerships in this region. We're optimistic we'll start to see the same rapid growth in Asia as we've experienced in the US and more recently Europe.

So our strategy has several growth engines across the business, each with a clear story as to why we've achieved what we have and each with an exciting future. Next up is Anton, who along with Bill, Chad and Meryam will explain how we're positioned to continue the strong growth across a broad range of investment capabilities. As mentioned earlier, they'll be followed by Emma, Honor and Helena, who will discuss the steps we're taking to address the UK savings gap, followed by Sarah and Aaron, who'll discuss how we're expanding internationally. I'll hand it over to Anton.

Anton Eser: Thank you, Mark; thank you, Siobhan. I've been under strict instructions not to make any rugby jokes but any questions please during the Q&A. Anyway, having worked at LGIM for 12 years I've seen first-hand the change that Mark and Siobhan have described. The business has undergone an incredible evolution. We started with a UK-centric, mostly index-based business and globalised the team. This has been a major driver of LGIM's success over the past decade. Our approach has been organic, it's been incremental and gradual. To us the core objective has been to maintain the closeness of our culture throughout this journey.

As CIO I'm proud to be standing here today with the opportunity to demonstrate the breadth and depth of what we have built. I'll shortly be joined by some of the senior members of the team, who will talk you through the successes we've had and the opportunities ahead. I'm going to start by taking you through the active strategies across fixed income and equities. We have a wide range, from liability aware credit to global high yield and high-conviction equity strategies.

Bill, who runs real assets, is going to update you on what's happening in real estate, infrastructure and private credit at LGIM. Chad will then take you through the expansion and innovation underway across our index team and just before Meryam and I take you through our active ownership platform and introduce our new Future World fund range I'll be taking you through the solutions business.

All of the capabilities that we'll discuss today are connected through a focused and straightforward investment philosophy. It's this philosophy that flows through all of our team. To generate consistent value you need to think long-term, formulating a clear and connected view of the world. We focus a great deal of our research efforts into big-picture, thematic thinking. Our dedicated thematic groups focus on the macro, sector and company implications from the major structural shifts we are seeing in demographics, technology and energy.

By having company experts working with macro specialists you're able to connect the dots in a way that truly leads to insightful idea generation. Long-term thematic investing is core to what we do. It's why we place such a large emphasis on corporate governance and sustainability and by managing close to £1 trillion of assets you can use your scale to influence and having a seat at the table has never been more important than it is today.

In a recent report I read from Bank of America 93% of millennials indicate that a company's impact is an important consideration when making investment decisions. To us ESG and long-term thematic thinking are connected at the hip and create value for our clients and for society.

Secondly this approach has been developed in line with our clients. Be it paying pension liabilities in 30 years' time or saving for a child's education, these objectives are long-term. This requires a solutions approach, not simply selling products, which is why 47% of our assets are managed on a solutions basis.

Thirdly, the only way to deliver solutions to your clients is through a team-based approach. The asset management industry is incredibly siloed. It's built on individual strategies that are typically not incentivised to connect with each other. You need to have all the building blocks but it's how you bring them all together which differentiates you and it's exactly that that makes us different.

Finally there is a genuine passion at LGIM around costs. Transaction costs and fees are the biggest detractor from total returns and in a world where returns will be lower cost management becomes even more important. Given our market presence we have the scale and awareness to ensure we can efficiently manage costs while seeking to deliver value for money.

Now on to our active strategies. Our active strategies demonstrate the diversity of our offering. We're a market leader in the US and in the UK at providing liability-aware credit solutions. This is our stable cashflow business. At the opposite end of the barbell we're gathering momentum in our high-conviction products like global high yield and in active equities we've reshaped our business to complement our index equity. These are all fantastic growth opportunities in the future.

The global fixed income team is spread between London, Chicago and Hong Kong, managing £149 billion in assets. This is the team that I joined 12 years ago when I joined LGIM. From 20 people back then in London there are now 80 covering global markets and with over 40 buy ratings across investment consultants, it is a very well-regarded team.

In investment grade across US, euro and sterling markets out of the last 33 calendar years we've had only one year of underperformance. That's a 97% success rate. The fixed income market has also undergone a lot of change over that period. Pre the banking crisis most credit mandates were managed against a benchmark while today our clients are looking at their credit exposure to a combination of reliable cashflows combined with diversifying growth strategies. This evolution has shaped our business over the past ten years with a focus on three types of strategy.

Firstly, liability-aware credit solutions to pay insurance and pension liabilities. Secondly benchmark plus across investment grade, high yield and emerging market credit. And finally unconstrained strategies targeting cash-plus returns.

Crucial to our success has been our ability to demonstrate a long-term track record across the investment-grade universe. These regional funds have consistently outperformed with low levels of risk, generating an average information ratio of just under 1.4, something we are really proud of. In the asset space you obviously can't win without generating great numbers and this slide largely speaks for itself. It's this track record which provided the foundation for the build-out of the US business.

Over the past ten-plus years we've only experienced 42 downgrades to high yield compared to 805 with the investment grade universe. Our team of credit analysts have avoided the faults and minimised downgrades.

The fixed income team has a strong heritage in managing insurance and pension assets. They work closely with L&G Retirement in managing the annuity portfolio, requiring a unique understanding of the asset liability objectives embedded in Solvency II. This combines an active approach to generating yield whilst minimising downgrades and avoiding defaults.

In 2001 we took on the first liability-driven bond mandate for a pension fund in the UK. Since then we've seen tremendous growth in demand for credit solutions. Aaron will cover the fantastic growth we've had in the US but looking at this from a UK perspective we've seen growth in credit solutions from £3 billion at the end of 2011 to 22 billion at the end of 2007. That's a CAGR of 39%.

This growth has been through a combination of new and existing clients of LGIM. 70% of our client assets we manage in credit solutions also have LDI with us. Alongside active credit solutions we're also well positioned to capture the growing demand for high yield and emerging market debt. Following the successful build-out of our global investment grade capability we then turned our attention to global high yield at the beginning of 2012. This is now a top-quartile global team, highly rated by a number of intermediaries.

The track record over this period is exceptional, outperforming by 2.4% per annum. Our active emerging market debt team followed shortly thereafter. Similar to our ambition in global high yield it is important we are well positioned to capture what will be a multi-year growth in demand for EMD. The track record is also exceptional with outperformance of 2.2% since inception in 2014.

The size of the global high yield and EMD markets has almost doubled from 2011 to $4.5 trillion, where we anticipate further growth over the next ten years. Given this strong record and our ability to position both strategies alongside low-turnover credit solutions we are well positioned to gather assets in the future. Overall this mix leads to a combination of stable cashflows and growth opportunities across the fixed income business.

Moving on to active equities, the change we've seen in fixed income is also happening in active equities. The traditional benchmark plus 1% to 2% is in decline, as Mark mentioned earlier. We've seen the industry shift out of active equity products into passive or factor-based strategies. Most pure active equity businesses are finding it difficult to respond.

For LGIM this represents a great opportunity and Chad will talk you through the innovation underway across our index business to capture a growing share of this switch. Within active equities five years ago we recognised this trend and took action. We reviewed our fund range, merging and where necessary closing funds to ensure we had a much sharper focus about what we wanted to offer. In our view concentrated, high-conviction portfolios provide the best opportunity for alpha which complements our index business.

In addition our funds target outcomes that are very hard to achieve through an index-only approach. Firstly we have concentrated growth strategies. These are for investors seeking longer-term capital growth. An example of this is the UK Growth Trust, on the left-hand side of the slide. This is a high-conviction 25-stock portfolio that has generated 4% per annum compared to the UK equity market over the last five years.

Secondly we have diversified income strategies. An example of this is the real income builder on the right-hand side of the slide, which targets long-term income growth through bottom-up stock selection providing income in retirement strategies for our growing DC and retail client base.

While our assets in active equities are relatively small compared to other asset classes this is an important part of our toolkit. Given current valuations in equity and bond markets long-term returns from pure beta-based strategies will be low. Our clients will look to us to generate value over and above market return and bottom-up stock selection with a long-term thematic focus is an important part of our proposition.

We're also excited about the opportunities in ESG for active equities, which I'll talk about later but by creating active ESG equity product within our Future World fund range we see real opportunities for us to gather assets. This approach to providing a good mix of income and growth strategies also flows through our real assets. On that note I'll hand you over to Bill.

Bill Hughes: Thanks, Anton, and good afternoon, everyone. My name is Bill Hughes, Head of Real Assets at Legal & General Investment Management. Just to be absolutely clear from a definitional point of view what we mean by real assets, we're talking here about real estate, infrastructure and private credit. I'm really excited about the future of the business we have here. We have great momentum. We have a track record of investment outperformance over one, three, five and ten-year periods and recently we've won a range of awards for transactions completed or developments completed for fund management more generally and for innovations around sustainability. And there is more to come in an asset class whose appeal is very definitely on the increase. With banks retrenching and an indebted UK Government the role of private capital in investing in real assets can only grow and we're in an excellent position to capitalise.

We're about creating assets that serve the needs of businesses and communities whilst at the same time delivering the investment outcomes that best serve the needs of our clients. In particular we specialise in providing investment exposure that's characterised by secure income, an attractive level of yield and also offers a source of diversification.

And real assets investing is an area in which client demand has been fast-growing. For maturing pension funds where income security and income level is critical, allocations are on the up. So having built credibility and strong momentum in real assets in recent years our growth potential going forward from here is clear.

As you can see on the foot of this slide, we've set out our three main growth opportunities. First, expanding into emerging sectors in real estate; second, expanding private credit for external clients; and thirdly, stepping into US real assets. I'll come back to each of these plans in a bit more detail later.

We deploy capital across real estate and infrastructure in both equity and in debt, offering a spectrum of risk and return and with a total of £24 billion assets under management we're one of the top fund managers by size. To ensure we excel in delivering real asset investments to our clients we have a big team of round about 140 people, you can see, 75 of whom are professional and really my team is about trying to hire, retain, build talent because here we're about growing deep sector knowledge in-house to stay ahead.

Our dedicated team is expert in originating and structuring transactions and direct development, ultimately to produce assets and we also have a track record in asset management where we enhance and adapt and improve assets to ensure that they perform to their full potential through time.

Unlike many of our competitors much of the capital we manage is external - actually almost 50% so we're around half/half, internal/external, which I think is actually a good, balanced place to be. But we do have two critical internal clients who you've heard a bit about before in the form of LGR and LGC where demand for real assets investment has been growing.

Looking at the grey bars on the chart for a moment this represents the investments made into private credit by LGR and as you can see investment allocation from LGR into private credit has been increasing as the size of our annuity book grows. To complement this trend we have a range of fund launches planned this year and next to offer private credit investment for our external clients where we see strong and escalating demand.

As you can see in the chart on the left-hand side, collectively this has produced a compound annual growth rate - CAGR as some of my colleagues refer to it - in AUM of approaching 18% per annum in recent years. On the right-hand side of the slide this growth in assets, as you can see, is more than being matched by increasing revenue.

LGIM real assets is a business with sustainable momentum. Historically the external capital we managed came exclusively from the UK and I have to say, round about ten years ago that felt to me pretty insular but this has changed. While long-term institutional capital in the UK continues to see the appeal of real assets the interest we see from overseas sources of capital is continuing to build up. We have some particularly strong partnerships with capital from Europe and from Japan and in aggregate over the past five years we have seen a fourfold increase in the amount of client money coming from non-UK jurisdictions.

The diversity in sources of capital, UK and overseas, internal and external allows for real assets to find ways for the different sources of capital to work together to achieve investment outcomes that others simply can't. So we've been instrumental in a number of successful urban regeneration schemes around the UK. You may have seen on the way here in and around the lifts for example pictures of some of the schemes we're involved with.

Here's just one example of what we've been up to in Salford just over the river Irwell from central Manchester in real estate. If you don't know Salford, if you'd been there ten years ago you would know that it was a desolate location. From an initial L&G investment working closely in partnership with central and local government, with LGIM real assets operating as the investment manager, we've been able to sequence the production of a number of assets. As a consequence LGR has been able to invest in safe, secure office investments and a government-underwritten car park and LGC and one of our European clients has been able to invest in residential property as part of the holistic regeneration of the area. And now this is a place where people can live, work and play and where the community is thriving. Critically, at the same time we have provided an excellent outcome for our investors.

Moving to the infrastructure part of our business we've also been active in bringing together LGIM clients with LGR. An important focus has been the renewable energy space, very much in keeping with our general ESG theme, where attractive long-term secure income has been available. On the right-hand side here is the Wolney Extension transaction in offshore wind where LGIM led half of the refinancing that took place last year. I know these assets all look the same; that's the picture there. It's in the RFC but from a pictorial point of view not very different from any other offshore wind farm we do.

But another critical angle for the teams here is in using our scale to create assets that we would choose to own in an emerging sector. This is exemplified by the impact we have made in the UK build-to-rent sector where from a standing start three years ago we are now considered in the market to be the leader amongst institutional investors. All we're really trying to do here is to professionalise a sector that's hitherto been characterised by somewhat unscrupulous landlords.

Not only is this new investment sector destined to make a real contribution to the housing supply scarcity in UK cities but there is also the scope to capture a highly attractive level of return through creating and owning build-to-rent properties and this flows from our scope to raise capital from a range of sources from our unparalleled connection with central and local government and from our in-house expertise in actually developing assets across the UK that would otherwise not be available to acquire.

So to conclude, I'm enormously positive about our prospects for growth from here. Whilst we have positive momentum we also have well-prepared plans for the future. First, as well as growing our existing funds we have the scope to enhance our real estate offering, particularly in deploying more capital into student accommodation, later living assets and healthcare real estate.

Second, in the private credit area we're continuing to grow the team across additional geographies and capabilities to respond to the strong demand we see from external capital. Here we plan to stay ahead of the market and, as you heard earlier on, to use seed capital to launch products where we see investor demand.

And third and finally to mirror the success we have delivered in other parts of LGIM we're working to build out the real assets business into the US, thereby both complementing the LGIMA franchise but also to allow us access to the US market for internal and external clients and you'll hear a bit more about that from Aaron in a moment.

It's a fantastic time to have a successful and growing business in real assets but the best is yet to come. Thanks for listening. Now I'd like to hand over to Chad from the index team.

Chad Ravkin: Thank you, Bill. Good afternoon, everyone. I am Chad Ravkin; I'm the global head of LGIM's index business. The top five index managers control about two-thirds of the $14 trillion in global passive assets. That total passive pot is expected to hit $37 trillion by 2025. Given the importance of scale in this business a reasonable assumption would be that the largest managers will benefit the most from the growth. While to date the growth in index has been mainly in plain vanilla market cap strategies we think the road to 37 trillion will look very different than the road that got us to 14 and the index business at LGIM is well positioned to benefit from this growth.

Future success will be defined by the provider who can control costs while tailoring an index strategy to meet investors' evolving needs. Accomplishing that goal will not only increase our market share but also enhance our profitability. Today I will walk you through our current position in the index world, how we plan on capturing a larger share of the ever-increasing index pot. You'll hear that we've already moved away from the over-reliance on the UKDB market, international expansion has been successful and there's a lot more to go for.

So let me highlight where the business is today. LGIM has built up fabulous business as the leading index manager over the last 30 years. Barriers to entry to index are high and are only getting higher. Success requires a large and sustained investment in people, product and technology so as this slide highlights, we have a very diversified product set today consisting of 214 billion - I'm going to do this by memory - in equities, 83 billion in fixed income and 44 billion in new strategies, which we'll talk more about later but it's reshaping the business.

We have 30 investment professionals in multiple locations. We're the fifth largest index manager globally, the largest in the UK of course and the largest European institutional factor-based manager. We now boast an expansive product offering in major markets across multiple client segments.

So how did we get here? A good portion of the last 30 years was spent on servicing the needs of our clients in the UK, primarily in the DB market, with a philosophy of partnering with those clients to develop solutions together. This led to tremendous success and at our peak LGIM index managed close to 20% of the entire UK pension market.

We knew that success would lead to the challenge of the need to diversify as a large portion of the UK DB book started to roll off as these plans were in the process of derisking. So about ten years ago the focus began to shift to new markets and to new client segments. Fast-forward to the present and of the growth from 224 billion in 2011 to the 341 billion at the end of 2017, 62% was from the international business and we've removed the reliance on the UK DB market.

So what makes LGIM's index proposition different? Point one; we see ourselves as index solutions providers who are solving client problems and achieving client objectives. As assets continue to grow in the index space investors are becoming more aware of the need to partner with the manager that clearly has their best interests in mind, someone truly responsible for their assets. We are that partner; we are the responsible index provider.

Point two; we believe that our clients are the ultimate shareholders of the securities within our funds and it is our duty to engage with companies to lift the standards of the market. Our mantra is that we are not just passive investors but active shareholders and Meryam will talk more about that later. Index investors now require a certain level of corporate responsibility that we have proven for decades.

And point three - there's always a point three - in order to make any of the above possible without driving up costs market-leading technology is essential. As part of our plan to expand into new markets we have completed an overhaul of our fund management system. The result is a proprietary platform that is capable of managing our existing book while being able to adapt to the future needs of the index management business.

We've been successful in the UK because of our alignment with client interests, because of our focus on corporate responsibility and because of our focus on delivering value. This is what's growing our growth in new markets as well.

When we discuss our global business we do differentiate between the UK and what I'll refer to as the international or the ex-UK business. We'll start with the UK. The UK business is evolving. Let's spend a moment first within the UK on the UK DB book. What first might appear as a stagnant growth story is actually a very good story for LGIM. Approximately 70% of our current UK DB assets are in the derisking [unclear] and this shouldn't be a surprise to anyone. As a result since 2011 there have been £165 of outflows; think about that; that's a really large number coming out of the index book and as you can see from this chart we've done an excellent job capturing those assets within the organisation.

You'll hear more about LDI, multi-asset and solutions, all the capabilities that Anton will discuss right after me. So considering the outflows of 165 billion we've still been able to grow our UK pension assets, which remain net positive since 2011. Today the shape of LGIM's UK DB assets is notably different. It has grown since 2011 to £634 billion with the majority of assets outside of index; it's a major change. Looking forward as the size of our UK DB AUM becomes smaller relative to the overall business, the impact of derisking will continue to lessen.

Now I'd like to spend a moment on the rest of our UK business. DC and retail are also very important growth stories and Emma and Honor will give you more detail about that later today.

In the DC space we've seen tremendous growth. Default funds favour multi-asset solutions and as such LGIM has grown the multi-asset business rapidly in the last five years. A vast majority of multi-fund assets are in underlying index funds and those assets are not even reflected in our AUM numbers.

There's a similar story in the retail segment. Index funds have underpinned the success of our retail business and if you look at the retail business it is now in the top three by flows in the UK with over 60% of the assets in index funds. So what was once a very concentrated story has evolved to help fuel the growth of LGIM.

It is worth going into a little more detail now on our international expansion and the success we've had to date. LGIM has been very thoughtful about the markets we enter and subsequently we've been very successful in those markets. In 2011 we had a limited business outside the UK, accounting for about 6% of our total indexed assets. We quickly learned that our model of being the responsible index manager in the UK was resulting in similar rates of success outside of the UK. Therefore we began accelerating our plans to penetrate new markets.

At the end of 2017 our international AUM grew and accounted for over 25% of the total indexed assets. Let me give you an example of one of our success stories, our entrance into the US. To be successful globally we realised you do need to be successful in the US, not just because I'm an American. In the middle of 2015 we launched our pooled funds in the US to service the institutional space. Those funds were established with similar characteristics as our UK funds so limiting any potential conflicts of interest and really aligning our interests with our clients' interests.

At the end of 2017 we had raised close to £20 billion in new index assets with an impressive pipeline. Current key index relationships in the US include some of the largest state public plans and some of the largest consultants in the world but remember in the US a number of US public plans require a three-year track record before investing so to get to that 20 billion is quite impressive.

By the second half this year we're going to hit the three-year mark and at that time the market opens up even more so we're excited about the continued international expansion with a particular focus now on Asia and then furthering our reach into the European wealth channels.

So far I've discussed the evolution of the UK business, the international expansion. Now I'd like to switch gears and talk a little bit about the opportunity for ETF growth in the European market. A large component of our future growth will be realising a share of the $800 billion projected to flow into the European ETF segment over the next five years.

As Siobhan mentioned earlier, we recently acquired Canvas, which is a high-growth ETF platform and we have a plan to become a major European player in the next five years. We are already working hard to transition the ETF business from a specialist provider to a full-service offering over the next 18 months, with new products coming to market by the end of this year. By the end of 2019 our ambition is to more than double our current product offering.

New LGIM ETFs will reflect our expertise across asset classes and showcase the growing range of LGIM capabilities, including a more thoughtful core range to what's available on the market today, along with additional products to reinforce our position in thematic investing and the alternative solutions.

Our development of the ETF business demonstrates our ambition to become a key player in Europe and is an example of our continued commitment to growing diversified sources of revenue for the index business and LGIM on the whole.

As I mentioned at the beginning, the requirement from index clients is no longer for just plain vanilla index strategies. At LGIM we have been at the forefront of this change and we've developed a wide range of index solutions to meet our clients' ever-changing needs. This slide highlights a few of our successful categories.

Smart beta or factor-based investing, as we call it, has seen impressive growth in recent years. Whether clients are looking to manage for an outcome or are implementing a factor strategy to help achieve alpha we have responded and now offer our clients a range of solutions. At £26 billion we have become the largest smart beta provider in the institutional market in Europe.

Another important trend that more and more investors are looking at is how they can better incorporate ESG into their investments. Again we have responded by developing a best-in-class ESG scoring and index design capability that allows our clients the flexibility to build a customised ESG solution within an index.

Index plus is a third category that's still emerging. It's particularly appealing to some of the largest asset owners in the world. It's early days but we're already at £8 billion.

The last category, which I think is very interesting, is self-indexing. I believe that the trend towards index experts like LGIM designing index strategies and solutions for clients in a more cost-effective manner is the future of the index business. We've already designed factor-based in ESG strategies and we're looking at further solutions in the ETF space as well.

The future for index at LGIM is very exciting and it's truly a tale of growth. We have managed the transition of our business away from its over-reliance on the UK DB market and although we've just started our international expansion story the trajectory of success is well evidenced by our extensive asset growth, despite initially just focusing on a small number of markets.

There is demand for sophisticated solutions that defy the traditional path and our solutions approach has resonated with clients globally. With the market trends on our side we have the technology, expertise and the reputation to continue to be a leading global index solution provider. So now we'll turn it back over to Anton to discuss the LGIM solutions business. Thank you.

Anton Eser: For anybody who thought the index business wasn't exciting, think again. So on to the solutions business. The business that we're going to talk about here draws on all the building blocks, Chad, myself and Bill have been describing. Within multi-asset we created a fund that targets specific outcomes for retail, DC and smaller pension schemes while LDI targets client-driven liability objectives. This is a business that has grown significantly over the last ten years and most importantly evolved for the needs of our clients.

Assets have almost tripled from £170 billion in 2011 to £462 billion at the end of 2017. As you heard earlier, this represents something like 47% of our firm-wide AUM, diversified now across regions and client channels. Within LDI we have supported our clients throughout their journey, taking them from traditional index strategies through to custom hedging against liabilities. This journey leads to deep, long-term partnerships and as a result we are now the largest LDI manager in the UK, managing 42% of the overall market.

Our multi-asset capability is equally as impressive. The current team was only established in 2012 but through their fantastic entrepreneurial culture now manage close to 40 billion. Our core UK LDI and overlay business offers three types of solutions. Firstly our segregated business, where we provide bespoke hedging and collateral management for our larger pension clients. We're the largest provider of segregated LDI in the UK, managing £310 billion.

Secondly our pooled fund range gives our smaller pension clients access to the building blocks, creating a solution that is tailored to meet their objectives. Finally our derivatives overlay business, where we provide currency, equity and credit solutions for our clients to achieve specific market exposure.

There has been talk about the UK reaching peak LDI as pension schemes look to derisk and we disagree. Over the past year the total value of pension liabilities hedged grew by 23% to an estimated £908 billion and as you can see from the chart, that's only two-thirds of the asset value and less than half of the liability value on an insurance buy-out basis. Something like 3,750 pension schemes in the UK are not even using LDI so while the industry has made a lot of progress there is still some way to go.

However the bigger picture is that talking about peak LDI actually completely misses the point. What's more important is as schemes move towards a liability-driven approach so they will evolve into what we call holistic solutions. That's the future of LDI and it's where our solutions approach is extremely well positioned.

We're uniquely placed to help pension schemes at every stage of their journey towards an endgame of either self-sufficiency or an insurance buy-out. The easiest way to describe holistic solutions is to talk you through an example from one of our largest clients. Firstly it's about delivering cashflows. Our solution specialists work closely with the clients in designing the asset liability strategy, stress-testing different market conditions. They work with the credit solutions team to dial a portfolio to match the cashflow requirements.

Finally they work with Bill and the real assets team to build a portfolio designed to deliver secure income. From a growth perspective our global fixed income team actively manages assets across emerging markets, high-yield and investment grade credit, whilst the index team under Chad manages an equity beta portfolio. The holistic solution is completed with the LDI team building an overlay that manages risk across the entire scheme ensuring collateral and liquidity requirements are met.

This isn't just possible for our largest clients. We're able to provide small to medium-sized schemes access to bespoke solutions. We can do this by combining our multi-asset funds with credit and pooled LDI, while our fiduciary team is able to take that one step further, providing the advice a scheme needs to reduce the governance costs that are so hard to absorb for our smaller clients.

For some schemes we're at the early stage of that journey. It's similar to how we've moved most of our clients from index-based mandates to LDI so the next step into self-sufficiency or buy-out is one we're well placed to take with them.

Moving on to our multi-asset business, which has seen strong growth across all client channels, the team of 26 is well-established with a clear and consistent top-down macro asset allocation process and is closely linked to the risk-takers across LGIM. They were early in setting up sensible and simple products for our fast-growing DC client base and have had tremendous success in the retail market. The team has that exceptional mix of clear and focused products backed up with an outstanding track record, which I'll talk about on the next slide.

There are three types of strategies, offering our clients a choice between different risk and return profiles from market beta to targeted return. On strategies, firstly our strategic funds. An example of this is the multi-asset fund, which uses a range of LGIM's active, passive and real asset building blocks. It's the default option for our DC business and provides smaller DB pension schemes with a low-cost way of accessing diversified returns. It has outperformed its peer group over one, three and five years.

Secondly our dynamic range. This fund range is used extensively across all client channels. It's the growth allocation for our fiduciary business and it's key for our growing retail business where we've seen strong demand for our multi-index and mixed investment funds. The dynamic diversified fund has consistently outperformed its peer group over one, three and five years with an outperformance of 2.1% per annum over five years.

Thirdly, what we call low-equity beta, which is our multi-asset target return strategy or what we call MATR. This fund is part of the glowing global active return sector where it is the top-performing fund over one and three years. We really expect this fund to grow as we're gaining a lot of traction through intermediary buy ratings following the three-year anniversary in April.

Multi-asset has enabled us to diversify into the retail, DC and personal investing channels which Emma, Honor and Helena will cover in more detail later today. The growth opportunities are huge. Looking at the chart on the left-hand side, UK DC AUM is expected to grow 10% per annum with the multi-asset allocation expected to grow even more quickly at 13% per annum so a market opportunity of over £200 billion by 2026.

We're one of the few well-established players in this market and we have the products that work well as a standard default of providing income in retirement. We're optimistic our share of the growth pie will continue to increase and we expect the same in the retail market, where we can see over £400 billion invested in multi-asset strategies over the next ten years. Again we're well positioned with our popular multi-index and mixed investment funds.

It's simple really; a great product range, very strong track record and well-established team members; these multi-asset funds are extremely well-placed for growth over the next ten years. Combining capabilities across investments is core to building a successful solutions business. The whole must be greater than the sum of the parts and this is really a good segue into active ownership, which has been core to LGIM's investment philosophy for many years, as described earlier.

We've always believed we can use our scale and influence to ensure that the companies we invest in are delivering long-term sustainable value for our clients.

We have a very strong corporate governance team that engages with some of the world's largest companies, pushing them to raise their standards through the integration of ESG. They work closely with all of the investment teams, helping us to make more sustainable investment decisions. Meryam Omi, our head of sustainable investment, will now take you through how we have been bringing ESG to the forefront of our clients' objectives. Meryam.

Meryam Omi: Thanks, Anton. Active ownership and ESG; the incorporation of environmental, social and governance factors is central to the way we manage our assets and hopefully that message came through in the previous presentations. Fundamentally we believe being responsible is good for business and therefore good for investors. Simply put, ESG is intended to enhance the value of our investments.

I know you're hearing similar messages from all other asset managers and everyone is happily ticking that ESG box but I want to show you that we're different in a couple of slides. Firstly we have been engaging in voting on corporate governance issues for over 20 years, even before our clients asked for it because we believe it is our responsibility and we have seen that we can make a difference in companies.

Our decision to engage and vote is not compromised by internal conflicts. We don't change our mind because of a certain client or because active fund managers might have a different view. Our focus is our clients and their assets.

Reflecting on that point, we have been rated as a top asset manager in ESG, especially in index funds. Our active stance is seen as a key differentiator against other passive index managers. We have also been rated number one investor by investee companies who really appreciate the engagement we have with them.

On a thematic topic we have been rated second amongst global asset managers for addressing climate change. As I said, every asset manager claims that they're ESG and it's truly embedded and integrated but with this chart I want to inject a little bit of a reality check into the state of play of active ownership. This is the list of top ten asset managers globally by AUM and the percentage of this support for shareholder resolution on climate disclosure.

Despite a lot of marketing on their stances on climate change on average they only supported 21% of climate change resolutions last year, some even as low as 2%, representing trillions of assets. We on the other hand supported in 95% of the cases because asking for more information about climate risk is exactly the kind of thing we should be doing to make better and more informed decisions. So with this I want to emphasise that not all asset managers are made equal in ESG.

I want to further highlight our commitment to speak on behalf of our clients and make real changes. You can see the topics that we engage in at the top of the slide from board accountability to diversity to executive remuneration. The way we engage is different depending on the topic. As an example I want to expound on how we engage on climate change because it is one of the most pressing issues that we have that will impact the economies and the investments over time.

We have set up a framework of engagement called the climate impact pledge. We focus on the biggest companies in key sectors who are going to play a pivotal role in transitioning our economy to a low-carbon one like energy, transport and of course finance. We score and rank them based on their stance on climate, their transparency of disclosure, their strategy of resilience and innovation in the face of technology and policy changes and how they lobby the government on climate regulation.

We then engage with them, all the companies to help them be better over time. We are committing to name and fame those companies who are leading the pack and highlight those who will improve over time. But there's also a consequence. After the engagement those who fail to meet a minimum threshold can be divested out of funds and are voted against as chair of the board across the entire equity holdings for LGIM.

The impact on the performance from that is extremely minimal but the impact on the companies to step up is very, very significant. We made that announcement earlier in the month and we have received fantastic responses from our clients and the advisors.

We believe we can create a healthier and better-functioning market that is good for our clients' money. This is why ESG makes financial sense for us and why we're building out a mainstream impact product offering to meet a growing wave of demand from clients who want more from us on ESG. So we are uniquely positioned to capture that trend. To explain that further I will pass you back over to Anton, who will explain the Future World in more detail.

Anton Eser: Thank you very much. I promise you this is the last time I will step up. We're coming to the end of the investment section. Thank you, Meryam. Yes, the key point is ESG can mean different things to different people; strategies integrating ESG range from simple exclusionary screens through to dynamic impact investing. The industry is huge and growing fast with approximately $22.9 trillion of assets managed globally.

Sustainable investing, as Meryam was talking about, is very much here to stay and we only see assets continuing to grow as the wider market investor values align. This is why we are bringing ESG to the mainstream through our Future World fund range. Future World is a natural evolution of what LGIM has always done. It reflects our culture and is aligned with our clients' values. It seeks to address long-term themes and opportunities whilst managing the risks of a changing world. With Future World we want to provide our clients the range of funds that can be used to express investment beliefs around sustainable investing, leveraging the strength in our active engagement.

We're launching 15 funds across asset classes, investment styles and client channels. Last year we introduced the first of these strategies, the Future World equity factor strategy, which now stands at an impressive £4.9 billion in size. Alongside a factor-based approach the fund incorporates the climate impact pledge that Meryam talked you through. This is a very powerful combination and is attracting demand from all our client channels but this is just the beginning.

We recently launched a gender diversity fund and will be introducing more products over the next few months ranging from multi-asset to fully unconstrained active, giving our clients choice across mainstream ESG products. Watch this space. The growth opportunity across Future World for us is exponential.

So that's it, that concludes the investment section and I can't think of a better way to wrap up than on Future World; it really captures what we are. It typifies the ambition, diversity and talent across the whole investment team. We're really proud of what we've built and we've done it in a very quiet, gradual LGIM kind of way. We see lots of opportunities that we've talked you through today and believe we are exceptionally well positioned for the future. We're going to take a 15-minute break; I think we'll get going again at 4:00. Thank you very much for your time.

Emma Douglas: Good afternoon, everyone. Glad to see so many of you back after the interval. I'm Emma Douglas. I'm head of the defined contribution business. Just before I cover DC in workplace let me explain why we've called this section Addressing the UK Savings Gap. At LGIM we're unique in having all of our workplace and savings businesses under the asset management arm where they are directly focused on the retirement and other savings needs of our customers.

As Mark outlined earlier, individuals will continue to take greater charge of their retirement and other savings so by working together, especially across workplace and personal investing and via investment in the digital interface, we can be a clear winner in this important and growing market.

Moving on to DC, I have a fantastic growth story to present to you this afternoon which shows how LGIM's DC business is showing stronger than average growth in a fast-growing market and is well placed to benefit from the future trends in DC.

The first slide I've got shows some key statistics about the business. Total DC assets under management have grown from 24 billion at the end of 2011 to 68.2 billion by the end of 2017. The number of DC scheme members we service has increased to 2.7 million and we have around 14,000 bundled schemes.

So how does this place us in an overall market context? Our overall asset size makes us the UK's number one DC provider. Revenues and net flows are both strong and there'll be lots more detail on the next few slides but that just gives you the main headline numbers.

In terms of strategy we have the benefit of a very clean operating model. We have an organic growth strategy so we're not distracted by the merger and consolidation activity currently going on in the UK market and this sets us apart from our major competitors. We're not juggling multiple administration platforms; we have one administration platform that serves all of our bundled clients, whether they're contract-based such as growing personal pension clients, or trust-based where the scheme operates its own trust, or master trust, which is operated by Legal & General on behalf of the independent trustees.

This means that all of our clients benefit from our continued investment in our administration services and all of our business, both bundled and unbundled, sits on one investment platform so we can make the same range of funds available to our bundled clients, to our unbundled clients who use a third-party administrator and to other providers such as Fidelity who have clients who want to access the LGIM funds.

The next two slides show projections of market size and future trends taken from the 2017 Broadridge UK DC report. DC market growth over the next ten years is projected to be strong with a projection that total assets will go from 338 billion at the end of 2016 to 871 billion at the end of 2026. The biggest driver of growth is the ongoing contribution from DC members. I really love looking at this statistic as there is an unstoppable wall of cash coming into the market. Winning and retaining DC clients means that you get the benefit of member contributions coming in month on month, cash contributions which are not dependent on market conditions or market sentiment.

Our client retention rate is very high. We've never lost a master trust client and we have roughly 97% retention rate across our whole bundled business. Auto-enrolment increases mean that contributions are now a 5% minimum and will rise to 8% from April 2019. The majority of our clients are already contributing more than that auto-enrolment minimum so we won't see our cashflow increase as much as some of those pure auto-enrolment players in the market but if we are able to win and retain clients in the way that we have done over the last few years then we will be able to enjoy a strong year on year cashflow.

We have a 17% stake in Smart Pension. They're a fintech company that's successfully targeted micro-employers with an online offering that makes it very simple for employers to fulfil their auto-enrolment duties. Smart Pension offer LGIM funds via our investment-only platform. Their employer base is very much paying at the minimum levels so we will see increased flows from Smart into our funds.

Some money will leave the DC market as members retire and Broadridge expects some money to move into workplace pension schemes as a result of DB to DC transfers, although the majority of these assets are moving into personal pension schemes.

Within the DC market the bundled business - covering bundled trusts, contract-based schemes and master trusts - is expected to grow much more strongly that the unbundled sector. So the slide shows the assets in each structure in 2016 - that's the light blue bars - and the projects assets in 2026 - the dark blue bars. This slide really highlights the importance of master trust as a structure within the bundled DC market as it's projected to experience by far the highest growth rate, from 12 billion in 2016 to 306 billion by 2026.

As you can see from the chart, contract-based schemes - that's group personal pensions - are also experiencing strong growth. So as I explained up-front, we use the same administration platform, investment platform and people to deliver all of our bundled services; own-trust, contract and master trust - so we are generally neutral as to which structure an employer may wish to use for their staff.

I would agree with the Broadridge predictions that group personal pension and master trust will be the two big growth areas so for an employer running their own scheme involves high resource requirements and costs. The employer will be paying for the governance structure, the advisors to the scheme and may also be paying some or all of the administration charges as well as having to make the contributions on the members' behalf. GPP and master trust take these costs and burdens away from the employer and leave them simply with the duty to pay contributions.

Given that master trust is predicted to see the fastest growth in a fast-growing market it's important for us to have a strong offering in this area and we believe that the Legal & General master trust is market-leading. The master trust was set up in 2011 with Marks & Spencer one of the first employers to join and since then we've taken on many more of the UK's largest employers so when Tesco set up their new DC scheme for all staff in December 2015 they chose the Legal & General master trust. With over 250,000 members we believe it's the largest DC scheme in Europe and we've invested in our administration system to ensure it can handle this scale. With 4.7 billion of assets at the end of 2017 we are the largest master trust by assets in the recent Hymans Robertson report.

We've seen the trends in the market with particular emphasis on the growth of master trust so the next section just looks at our numbers in more detail. This slide shows the growth of the overall DC business split by business type. The grey bars are our unbundled business, which, as you would expect, is declining over time as our clients follow the market trend of moving to bundled.

The darker blue bars are also unbundled clients but these are clients that use our investment platform to access external managers' funds and create scheme-specific blended funds. These tend to be the larger clients, who are likely to remain unbundled as they have scale in their own right.

We launched our investment platform in September 2014 to meet the demands of our existing clients and we have been successful in doing this and in attracting new clients. The next set of bars are where we sell our LGIM investment funds to clients via other companies' platforms. The top bars show our bundled business which, as you'd expect from market trends, is showing strong growth. Broadridge estimates that the DC market is growing at 10% per annum. Our overall growth rate is 19%, well ahead of the market average. We are a fast-growing business in a growth market.

This slide shows the steadily increasing cashflows year on year. This is regular contribution money from our existing schemes; doesn't include transfers or new schemes and assets won; this is the regular flow from our DC schemes that come into the business through payroll deduction and experience shows that this flow of regular contributions is pretty much immune to market conditions. When you win a DC scheme as a client you also win a valuable set of future cashflows; back to that unstoppable wall of cash.

You need scale and efficient systems to be able to make money in member record-keeping so looking at our administration business alone not including the investment management revenues you'll see that we were at break-even in 2017 and in order to get to this point we've needed to invest in our systems to ensure that we can bring down the average cost of administering each member record and you can see that cost per member reducing from 2014 to 2017 and the continued losses that you can also see there in 2015/2016 are as a result of us investing in this business to improve our systems.

Just one example of this is contribution processing efficiency whereby the Tesco payroll file of 250,000 members can be fully processed in less than an hour. And we're investing to improve efficiency and reduce member costs even further so we're introducing robotics on the simpler, repeatable processes and we're reviewing our processes across the board using lean methodology to make sure that we're operating in a fully efficient way.

Also our improved user experience, which I'll talk about in a minute, will encourage more members to self-serve and that should reduce calls to the helpline. So as we undertake these activities we open the jaws of profit with increased revenues from our growing client base and then reduced costs of servicing both clients and members.

As I mentioned up front we have one administration system so all the investment goes into improving this system for the benefit of our clients and also for us in terms of improved efficiency.

Of course as the only vertically integrated bundled provider we also get the benefit of generating investment management revenues from our bundled business. Over 90% of our bundled assets are invested in LGIM funds and you can see how the bundled revenue, which is the dark blue bars, from administration and investment is both growing year on year and is growing as a proportion of our overall DC revenue.

The next section talks through the investment trends in the DC market and how we're well placed to capitalise on these. The Broadridge research shows that the largest asset allocation is to index equity, fixed income or factor-based funds, both in 2016 and the projected asset allocation in 2026. As the largest UK-based index manager LGIM is a strong position to benefit from this trend and we've also seen the successful launch of factor-based funds such as the Future World fund and we are the only index manager to offer a full range of bundled products.

Index funds are always likely to play a strong part in DC asset allocation as all schemes used for auto-enrolment have a 75bp cap on all member-borne charges. The other three investment types are multi-asset, target date funds and ESG and as you heard from Anton earlier, we have strengths in all of these areas and the DC business is fully supported by our solutions team.

One example of this is that we've recently launched the Pathway funds, a range of target date funds. So the investment map looks quite similar to a lifestyle strategy in that a member's assets begin in higher-risk investments and move gradually into lower-risk investments over time and the path consists of a mix of Legal & General funds.

What's different about target date funds? Target date funds are easy to communicate. A member chooses or is defaulted into a fund that's in line with their expected retirement date and they stay in this one fund throughout their retirement journey. The journey and the higher-risk investments go on post retirement and we've set up the funds in five-year vintages to take account of the fact that very few members can predict with accuracy when they're going to retire.

The other key benefit of this structure is that the end outcome can evolve to meet the needs of future generations and take into account how retirement income needs will change over time.

As you heard from Siobhan, we are investing in our technology. Providing an engaging user experience helps win new clients and retain existing clients. If you focus on the needs of a member in a DC scheme you can't go far wrong. Engaged members are more likely to have a savings goal, to take advantage of matching employer contributions and save more that the minimum levels. They're also more likely to consolidate other pension savings into their current scheme, which will be important as the launch of an industry pension dashboard in the next couple of years will increase transparency and is expected to increase demand for pension consolidation.

At LGIM we're in the middle of a digital customer initiative that will allow us to send personalised messages to members, to show them a consolidated picture of their savings, both pension and ISA or other investments and give them all he tools they need. So we're working very closely with Helena's personal investment business to ensure that all of our customers have a consistent view of all of their holdings.

We're also investing in technology to increase our operational efficiency and bring our costs down further. Our operating model is digital first with a focus on the online journey.

As an example of some of the new communication letters we've been working on we've started sending out personalised videos rather than paper benefit statements and the early results have been impressive. The video I'm about to show you was sent out to RBS employees. Each received a personalised version and as a result 14% of the membership made a change to their contribution rates.

Emma Douglas: In real life that click here does stay on the screen, you don't have to chase it across and you've got one second to click it. The feedback from the membership was that it was the most engaging pension communication that they've ever had - maybe they should get out more. So this technology does not increase cost. It may look expensive but while it costs 50p to send out a paper benefits statement a personalised video like that costs around 44p.

In conclusion, how are we building on this success to deliver on future customer needs and the needs of our business? For our customers we are exploring advice solutions, working closely with personal investing. There's a lot of information, guidance and tools that we can deliver to members via the digital first journey but there will be some point in the journey, particularly as members get closer to retirement, when they may need advice.

We're also building a framework to help members understand how they could spend their money in retirement, calling out four key areas or four jam jars they could fill. This is shown in the screens on this slide so there's one allocation to provide income for the early, active retirement years; one for a guaranteed income in later life; a rainy day fund and money to pass on as an inheritance. Not everyone will want or be able to fill all four of those jam jars but the framework can work for all.

For the business, as you've seen from the slides, the core strength of the business is the rapidly growing, regular cashflows. We've already reduced our cost per member and these costs will continue to decrease as our scale grows and as we improve our administration efficiency.

The way we're looking to do this is to learn from the wider group as we further develop that robotics strategy and implement Lean processes. We believe that these developments and our digital spend will allow us to consolidate our number one position in the DC market. I'd now like to hand over to Honor Solomon.

# Transcript

## Legal & General Capital Markets Event
## LGIM June 2018

**Wednesday, 20 June 2018**

Honor Solomon: Good afternoon. I'm Honor Solomon, LGIM's head of retail intermediary business. We define the retail intermediary client base as intermediaries buying funds on behalf of end customers. The intermediaries' role is to select the best funds in the investment market on behalf of their end clients. My team build relationships with the intermediaries so they have a full appreciation of LGIM's range and strengths.

Intermediaries covered by my team are in two categories; advisory and wealth. An example of the advisory audience are independent financial advisors, IFAs, and the networks that they belong to where advice is usually given to their end clients.

Our second and newest channel is wealth or discretionary clients; for example private banks. The private banks' high-net-worth clients have approximately £2 million+ in liquid assets. The intermediary or the private banker usually has discretion as to how this money is invested.

My team will speak to the bank's investment committees and fund selectors who are responsible for asset allocation and identifying the best funds across the whole market. The fund selectors then package our funds up into their investment solutions, for example into ISAs, SIPs or model portfolios, which are then sold on to the private banks' end customers.

We also distribute our funds and solutions to banks, building societies, national wealth managers, rating agencies, direct-to-consumer platforms and insurance companies. LGIM's distribution capability has to date covered the breadth of the UK intermediary client spectrum.

Our next chapter of growth will be coming from continental Europe. In order to access this market we have launched offshore product wrappers in addition to standard UK unit trusts. These are Luxembourg-regulated CCABs, Irish-registered ICABs and we've acquired the Canvas ETF capabilities that Chad mentioned earlier so we have the full range.

The UK market typically defines retail as two types of asset management channels; intermediary retail, the advisory and wealth audiences; and personal investing. Following my presentation you will also hear from Helena Morrisey, whose personal investing business deals with customers directly rather than through intermediaries.

Today our combined intermediary retail and personal investing business assets under management stand at £30 billion, generating revenues of £116 million. Last year combined net sales flows were £3 billion.

The key messages that I will be covering during this presentation are how we have grown our UK retail intermediary business over the past four years, how we have built our product range and client service propositions that will be instrumental for our continued strong growth, and how we have identified significant opportunities outside of the UK and have a clear plan to capitalise on developing needs.

This slide shows the sustained and strong growth in gross and net inflows since 2013. When I joined LGIM in October 2014 our retail intermediary business was ranked outside of the top 20 in net sales versus our market competitors. You will see from the bar chart on the top left how our intermediary retail and personal investing assets under management have grown since 2011.

Following Helena's arrival we've now separated £4 billion of retail assets under management. That represents the asset base for what is now a separate personal investing business. We're delighted with the growth we've achieved in intermediary retail. If there is one word I would like you to remember from my session apart from growth it is diversification, both on the client side and the product side. Working with IFAs is in our DNA but we've now diversified into the wealth space too by restructuring the sales teams and recruiting sales specialists to service wealth clients.

Index funds are our heritage and future. To build on this we've focused on diversifying and broadening our product range as well as improving our customer proposition to make the most of the breadth of LGIM's fund management strengths.

We are now a force in multi-assets, real assets and in our active funds and this has given us an ability to reach a wider intermediary audience. Bottom-left you can see the breakdown of assets under management by asset class for 2017 and on the right you can see the UK competitive landscape for growth and net sales.

In 2017 we were ranked third in the market for growth and net sales. In terms of our market share at the beginning of this year our overall position in the UK for assets under management was 3.8%, ranking us tenth. For context, M&G was ranked first with a market share of 11%. So we have only scratched the surface in terms of opportunity.

We have a strong backdrop in the pan-European markets that we have identified for growth. Through our new ETF business we now have clients across 14 jurisdictions and, as Siobhan mentioned, we have a thoughtful, deliberate and incremental growth strategy for the future.

As a first step we have ensured we cover and can therefore cross-sell LGIM's product suite to our newly-acquired book of ETF clients. Picking out a few of our target countries, Germany is our primary entry point where we have an established office and our sales team are building on our existing institutional sales presence.

The Italian market has bought into our ETF capability already and we see there being interesting opportunities with our active and index strategies. Switzerland has been prioritised due to the concentration of assets from high-net-worth individuals. Many of the private banks have teams that we know already in London. Therefore building relationships with their Swiss counterparts has been straightforward.

We've already been successful in Ireland through building a relationship with a major partner there. We're also ramping up our sales team. Our European distribution strategy for 2018 and beyond has been a deliberate, phased approach, moving from the fly-in, fly-out model to feet-on-the-ground. We plan to add distribution presence in key European markets. This will help grow existing relationships and build strategic partnerships across Europe.

We've already hired in Germany and Ireland and Italy and Switzerland follow next. We're focused on expansion of products, resources and our client base. This plan plays into asset management trends in Europe, with Italy and Germany vying for leadership in terms of sales flows. But to be very clear, none of this growth will be at the expense of our UK business which we will also continue to grow.

In the same way we've been successful in the UK I am confident that we can win on the continent due to our credible and broad product suite, as shown on this slide. We understand that different types of clients, whether advisory or wealth, have different needs. We have built and tailored our product proposition according to these needs. We recognise that on the continent our clients will require a different product set and we will respond accordingly.

The strength of LGIM lies in the range of cost-effective multi-asset solutions and index funds. These are complemented by the top-quartile active fixed income and equity funds that Anton discussed earlier. Bill has touched on our award-winning real assets capability. In the UK my team sell the LGIM UK property fund, the PACE. Our property fund and global REET was the top-selling group net over 2017 in the Investment Association property sector.

On the active side we're gathering momentum with our global high-yield fund which is producing top-quartile returns for our clients. We place a lot of focus on listening and responding to our clients' needs. We look to continually understand our clients' objectives and identify how we can meet them in an original way.

Clients told us that the market was lacking cost-effective solutions tackling their existing clients' requirements for ongoing suitability analysis. They wanted unique, thematic exposures that were uncorrelated to traditional asset classes. MIFID2 regulations also shaped our clients' appetites for transparency and value.

We responded by building our multi-index proposition four years ago, launching with a fund for the UK advisory market and then broadening the range to target European clients. Our multi-index range stands out as a success story for the advisory audience. We listened and responded to the clients' needs both in the UK and Eurozone.

The multi-asset solution combines many areas of excellence within LGIM from the index funds as the principal building block, the dynamic asset allocation process of our well-established multi-asset team and for the UK range exposure our physical property fund managed by the real assets team. This solution meets the clients' needs to be transparent and cost-effective. They're able to select the multi-index fund in the range that is most appropriate for their personal risk appetite and investment objectives.

For example multi-index 7 targets a higher risk profile and typically holds more equities, whereas multi-index 3 targets a lower profile, typically holding more fixed-income and cash. You may ask why we didn't launch a multi-index 1, 2, 8 or 9 and this is because our client conversations revealed limited demand for the lower or higher-risk products in the retail market.

Clients are also able to opt for a growth or income flavour. The growth in assets under management from zero to £2.4 billion in four years is testament to the success. Our fund range was the second-best-selling range of funds in the Investment Association volatility managed sector for 2017.

As Chad discussed earlier, the next exciting catalyst for our continued growth is the opportunity to build and sell ETFs. My team could not be more thrilled to add ETFs to our toolkit. The graph shows the market's growth in European ETFs. It is highly concentrated with only three scale players with assets above €50 billion, giving us a great opportunity to capture clients who wish to diversify their mainstream exposure.

The existing range, now at £2.7 billion, includes thematic funds like the robotics ETF, which raised nearly £1 billion since launch, as well as commodity and fundamental fixed income funds. As well as the existing ETF range we will be launching a full range of new funds in four key areas; core vanilla beta capabilities, smart beta or factor-based investing capabilities, Future World to capitalise on our ESG strengths, and extending the existing range of thematic funds such as our robotics, battery technologies and cyber-security ETFs.

Before I hand over to Helena, what are my key messages? The first is that we've come a long way from our position outside of the top 20 in net sales to within the top three in the UK. We've achieved this success by selling to our diversified client base of the advisory and wealth audiences and by expanding our product range. The right products at the right prices are important. Diversification has been the key.

The second is that we will continue to grow our position in the UK whilst carefully implementing our European market strategy. This will be focused on the history and scale of LGIM, the expertise of our teams and the philosophy, process and risk management of our fund managers.

The third is that it's all about the great sales people we have and are hiring, as well as the excellent ETFs and funds that meet our clients' needs. On that note, let me hand over to Helena Morrisey, head of personal investing.

Helena Morrisey: Thank you so much, Honor, and good afternoon. I joined LGIM a year ago because of my strong belief that the company was uniquely placed to make investing accessible to everyone in the UK. To succeed where others have tried and failed requires a combination of many things; it requires reach, a trusted brand, a relevant range of funds, value-for-money pricing, great technology including a welcoming website and, perhaps most importantly of all, a new message about investing that really resonates.

LGIM already has many of these characteristics and the others are now well in train so today I'm even more confident that we can popularise investing in the UK. The first phase of our programme to engage the nation will kick off next week. We intend to make the Legal & General brand just as synonymous with personal investing as it is today with insurance or pensions. Ultimately we want to revolutionise investing so the UK becomes a nation of investors more in control of their financial well-being.

The direct personal investing business is a recent focus for LGIM but it's seen as strategically very important as financial responsibility shifts from the institutions to individuals. Within the £30 billion retail assets under management that Honor mentioned we have that small existing personal investing book of around £4 billion. This book has an average customer age today of over 60 and without a growth plan that business had previously been dwindling with £50 million of net outflows last year.

But we're looking now to take a significant share of a fast-growing market, to capture defined benefit transfers and enable our defined contribution pension customers to easily access personal investing. It is early days but already we've seen a significant rise in new customers and their average age is falling - now in the mid 40s - following modest improvements that we've made ahead of next week's much bigger launch. We now have those clear high growth ambitions and a plan to enable us to win.

A number of factors are driving the rapid growth of the UK personal investing market. Together they create a really powerful trend. As well as the move towards individual financial responsibility that you've heard about already there is, as in other sectors, a trend towards customers going direct, cutting out the middle man or woman. The pie charts on the right here show quite clearly - the blue segments represent those who access investments directly. In 2011 this was roughly half and now it's three-quarters of all investors.

The personal investing market in the UK is fragmented at present and that creates a big opportunity for us. The two key sectors are insurers at the top, currently the biggest, and asset managers, the fourth down, which are the fastest-growing and Legal & General obviously fits well into both.

Our UK credentials in DB, DC and retail intermediary markets are a good foundation for our ambitions. We're able to cater for customers throughout their whole lifetimes and as you can see from the statistics on the right-hand side, although we're hardly a nation of savers already there's a significant amount of investable cash, £1.5 trillion.

Women in particular tend to be either recklessly cautious or simply not involved. Only 9% of women in their 40s and 50s have a stocks and shares ISA and a higher proportion, around 70%, of junior ISAs are in cash.

You can see from the bottom-right that customers prioritise multiple things. They want value for money, they want a trusted name, a wide range of investments, a good website and of course they want excellent service. LGIM is in a really strong position because we can offer all of those. While we'll be at least as good as the competition on all aspects we have two clear points of differentiation. We have an authentic, trusted brand and a broad investment offering.

So we want to popularise investment in the UK by being bold, by connecting emotionally with people who've not yet felt investing is for them, by focusing on what actually matters to them and of course by serving them well. An authentic, trusted brand is worth a huge amount in the financial services sector today and it gives us a head start.

Our broad range of funds that you've already heard about, aligned with potential customers' needs as well as their values. By investing in our digital operating model and offering more competitive pricing we can meet all those requirements for success.

Importantly, Legal & General's scale means that we can reach the many, not just the few. So we're now firmly in ambitious growth mode, designing a mass-market proposition to turn those uninvested into investors. So how exactly are we going to do that? I think that when any of us feel motivated to do something we need a reason why, we need to understand how we'll do it and of course we need to know what steps we should take.

I think our industry has tended to focus on the what or which funds people should buy and the how has also been a recent focus because technology has clearly enabled us to offer that. But at LGIM we are focusing very firmly on why. Our aim is to show why investing is relevant so it becomes genuinely appealing and is seen to help people meet their goals.

Of course we can also address what funds and how to get invested and that emphasis though sets us apart. We are modelling our business on the customer and what motivates them, not build it and they will come. Of course as we seek to make investing genuinely appealing we will test and learn. We recognise that we can't base the behaviour of new investors on the habits of existing ones. There's no blueprint to follow because no-one has yet achieved what we're seeking to achieve. And if our approach isn't working we'll make changes. We're not just going for a slice of the existing pie; we intend to grow it.

I mentioned LGIM has a couple of advantages already. We have the full suite of the most popular investment strategy for personal investors today and we will continue to innovate. To be honest, there's actually a danger that the choice might seem rather overwhelming so we are presenting a more clearly signposted range with four key categories that you see on the slide here.

Multi-index diversified funds as a one-stop shop, a growing Future World fund range that we've talked about, funds that focus on what potential customers really care about. Index building blocks for low-cost investing and absolute return, the MATR fund that Anton mentioned earlier, which is an all-season offering. And over time we will introduce relevant, exciting ETFs such as robotics.

As a nation many of us are reluctant to invest and we don't invest enough. Offering strategies that align with the interests and values of younger investors and women is an essential part of broadening the appeal. The bar chart that you see here is based on US research but the findings fit the UK too. A significant majority of millennials and women are interested in funds that are responsibly managed.

You may have seen the recent FT piece headlined “next-gen clients seek greener, leaner wealth managers”. They want funds that reflect their concerns about issues such as climate change and the Future Worlds range which we've talked about already offers those investment strategies that are purposeful without compromising on returns. They're attuned to the zeitgeist, they're sustainable, responsible choices which are also smart financial choices.

So the gender in leadership or GIRL fund which launched in May has already expanded the Future World range and, as Meryam's shown, many years of leading-edge work by our corporate governance team really makes LGIM stand out, makes us authentic when it comes to issues like gender equality.

So let's turn to perceptions of the brand, our other key starting point. We are already a household name, mainstream and the Legal & General brand, according to research, is seen as expert, genuine and respected. This means that we have an advantage, we can have an impact right from the start but at the moment we're not seen as sufficiently different and so we are addressing that.

What's interesting is that none of our competitors are in the prime position in the top right-hand. Our aim is to optimise this section between being disruptive and being meaningful, to move our brand into that winning space.

As we seek to really appeal to the mass market recognition is critical so I thought it was worth pointing out that the Legal & General brand is already recognised by 83% of personal customers and that that compares with much lower percentages for our competitors.

We are already also on a lot of people's radar; 41% are considering using us so our goal is to convert these into customers, starting with exciting new advertising and editorial campaigns I'll show you in a moment. Alongside this big flash we will be undertaking carefully selected sponsorships. You may have seen that we've just announced a five-year partnership with the Girl Guiding Association to contribute to the UK's financial literacy.

The Girl Guides has reach. The organisation has 400,000 present UK members. One in four British adult women was a Brownie or Girl Guide - me included. The partnership involves sponsoring a new saver badge and we will be launching a competition as well to find future female entrepreneurs, helping to create a new generation of female savers and investors; also at the same time increase the presence of our brand in British households and help the long-term growth of our client base.

# Legal & General Capital Markets Event LGIM June 2018

**Wednesday, 20 June 2018**

So I'd like to introduce you to our exciting Own Your World campaign which you'll start to see next Monday. We're basing our campaign on the concept that investing is about taking ownership, ownership of your future, ownership of part of a company and in the age of activism ownership of something even greater; the world around us.

So Own Your World is a punchy line that lays down both a challenge and it empowers the individual. I think it captures what share ownership is all about and suggests that by becoming a nation of investors we can have an influence, we can make companies work for us.

We want to convey that investing isn't limited to the wealthy and so we're reducing our minimum contributions to support this. It's a call to action; everyone can get invested and together we can create the world we want to see. So it's a disruptive campaign based on the behaviours and the habits of the underinvested and it's deliberately designed to provoke a reaction. You can see a few examples - here's my favourite of course. The message is clear; by investing you can better control your own and our collective future. Financial and social outcomes can be achieved together.

We'll assess reactions to this initial two-week campaign that starts on Monday and then we'll launch a second wave in September and that second phase will have a more specific focus on Future World funds, moving from exploring the concept of investing to actually being invested. We'll be assessing non-financial as well as financial metrics including website visits, page views, social media hits, the profile of new customers and all of this will help us gauge the campaign's effectiveness.

So what about our competition? There will of course be more than one successful player but I believe that each will need to be distinct so beside our brand and investment offering we are ensuring that we provide good value for money, a wide range of services and a great customer experience based around the customer's own ongoing needs.

We are confident that we occupy a distinct place. There's still room for the full service and full cost approach and at the other end of the spectrum on the left there the no-frills model that actually may have already tested the low point on fees for sustaining profitability.

While barely a month - sometimes it feels like barely a week goes by without yet another robo-advisor entering the market, bear in mind that a lot of these competitors are charging up to 75 basis points platform fee before their fund charges. Our digital investments that Emma's touched on will allow us to contend with these providers on technology.

As part of our first release - ie, from next Monday, this week - we've reduced prices on our core funds, bringing them down to a level that offers value in a more competitive market so fees for our core multi-index range have reduced by 20% to 61 basis points and fees for our core index funds have reduced by up to 40% with the UK range now at 48 basis points. These are all-in fees including platform charges.

In terms of our growth ambitions we have been gathering data on the characteristics of those we think might be open to investing. This is helping us to target our distribution approach and confirms that these people have the means to invest, that the pie actually can be grown. The analysis is based on the database of 50 million UK adults and LGIM's target segments fall into two broad groups; the build on the left, and acquire.

The build are those who've usually already made investments so we are aiming to increase their commitment and to gain market share. The acquire are potential customers, very much smaller today in terms of what money they have but they have considerable higher growth potential.

We believe that success in these two broad categories will not be sequential but will occur in parallel. If we succeed in attracting attention of those just thinking about starting to invest we will also appeal to those who already invest.

Another powerful driver of growth is that we can build on existing Legal & General customer base. As Emma's already set out, we are a leading DC provider and there are over 600,000 people who've left their employer and who are already on our platforms. Around 10% of these have actively opted in to receive marketing from us regarding personal investing and we're moving closer to the DC pitch process so that DC prospects become aware right from the start of our personal investing capacity or capability and we are well placed to become employers' natural partner for employees' personal investment needs.

I'll show you in a moment how our digital customer investment means that customers will have a seamless, great experience. Our proposition will also be offered as a tool for the retail intermediary channel. We will offer a link to Legal & General's platform for those advisors who don't have the resource to create their own digital propositions.

Looking beyond internal opportunities we've been identifying potential external partners with the goal of developing a financial well-being ecosystem and even broader access to customers. Right across the platform we are expanding our services and functionalities so we'll be adding tax-efficient pension wrappers to increase the scope of our target market.

As you've already heard, we are investing in a world-class digital customer journey right across the group. Wherever and however a customer comes to Legal & General they will have a great, consistent and seamless experience. This is such an important development. It makes it easy for customers to access our various financial services and, we believe, will help develop their loyalty.

As Emma mentioned, we believe a digital-first model is the best way to meet currently unfulfilled personal customer needs cost-effectively but we do believe we must also offer human interaction. Obviously mobile is rapidly becoming everybody's first choice so we are developing a mobile-first approach and a device gap still remains at the lower end of the market so we're working on a robo-styled investment advice offering with a monthly subscription-type fee.

People are used to monthly subscriptions for services like music and sports and it highlights that advice is an ongoing need, not a one-off.

We'll be testing this with staff before we go externally and of course with advice it's essential that we work closely with the regulator and that we put customer affordability and our duty of care to these customers first.

We've been making continuous improvements to the digital customer experience. Starting next week one of the things we'll be announcing is a faster, more straightforward ISA apply journey. Of course we need to be forward-looking and thinking; we need to be able to adapt to increasing customer expectations around technology.

So we are building innovation around LGIM's own technology stack rather than outsourcing. It's really important, that point, as we can then ensure that we can compete on agility with fintech newcomers. As we gather more customer data we will make further progress, further improvements and share the benefits of operational efficiencies with our customers.

So our ambition is to deliver a profitable, winning, mass-market offering, to be the go-to personal investing house in the UK. We expect an ongoing acceleration in marketplace growth, we expect more and more innovative competitors to enter and we just believe that will increase customer uptake as well as obviously increase the competition.

As I've outlined, we have a number of significant advantages. New robo-based advisors can't compete with us because of our scale but we're not complacent and we're investing for growth and to be agile. LGIM's personal investment business is profitable today and, as you've heard, we're investing to grow. By engaging the nation we can become the customer's first choice for investment needs across their whole lifetime.

I am very excited about the prospect of driving a new culture of investment in the UK. It's a big - grand even - ambition but I believe that LGIM has what it takes to succeed. Thank you. I'd now like to hand over to Sarah Aitken, head of distribution.

Sarah Aitken: Thank you, Helena and just to say, you've got only two of us left so we're nearly there. I just want to say, we are all very, very excited about all three of the businesses you've just heard us talk about. DC and retail are stories about growth now and anyone who thinks back to that frightening statistic from Mark's opening with the dependency ratio in the UK halving over the next 30 years will understand that not being a scale player in personal investing simply isn't an option.

You might actually call it a strategy of following the pound and really that pound starts in UK DB so let me now take you right back to our roots, which are in UK DB and what I'll do after that is then show you how the same institutional capabilities can be used to build presence in a range of new markets.

# Transcript

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The UK DB market truly is the bedrock of our business and it remains a significant focus for LGIM. It's large and resilient and it has decades left to run. It will continue to play a vital role in generating strong, repeatable earnings for us for many years to come.

As you've already seen, our business strategy of diversification has reduced our dependence on this channel but it is crucial, you understand, that this has been achieved by growing other channels more quickly, not by losing our focus on UK DB.

Client assets under management are 634 billion and revenues of 357 million at the end of 2017 reinforced our position as the number one manager in UK DB including in LDI and in managing assets for local government pensions. We are not however resting on our laurels. This is a business that we continue to invest in and we will both defend our market dominance and continue to grow our market share.

So far we have anticipated all the major shifts in this market. We understand our clients. We have the right investment capabilities. We offer outstanding service and value for money and with L&G as our parent we're competitively blessed, able to chaperone our DB clients' assets uninterrupted from cradle through to buyout grave.

LGIM's UK DB business still accounts for 44% of our revenue. Clients value our input and work with us and their advisors to evolve their strategies. This helps us to retain assets and grow revenue as their investment needs change and is clearly demonstrated in the chart on the left which Mark showed earlier.

The strong growth of non-traditional mandates, highlighted here and through the expansion, evidences our success in keeping one step ahead. These outcome-oriented and non-benchmark strategies have grown from being just 28% of our UK DB revenues in 2011 to 55% last year.

Our scale really matters in this market. LDI is a tough market for new entrants and just as our clients have long-duration liabilities this is actually long-duration revenue and in fact although the often-quoted average holding period for an institutional client is between five and seven years, over 80% of our clients have been with LGIM for longer than five and the average tenure is 13 years across the entire client base.

And we can evidence how we grow revenue per client by meeting more of their needs. Let me offer you a bit of colour on that. Today we manage more than four mandates for every one of our top 20 clients and more than five for all of our top ten. With genuinely long-term relationships that span a broader range of mandates we remain in an enviably strong position.

So it remains an attractive market for us. It's the largest pensions market in Europe, approximately 1.5 trillion in assets under management, still with deficits to make up and with an average duration of liabilities of something close to 20 years. This is a market that will outlast my career.

Nevertheless, the market is competitive and consolidating. This is an environment in which scale, deep client knowledge and breadth of investment offering are powerful advantages and we have the scale and the efficient operating model to compete successfully in areas where asset consolidation has been a recent theme, such as LDI and index.

Barriers to entry remain high. The UK DB market is highly intermediated. According to Greenwich, 94% of institutional assets are overseen by investment consultants and the top six alone account for 80% of this. No manager in the UK can compete without buy ratings from consultants. These are essential, not optional and it's extremely difficult to win new business without them.

Our key investment capabilities are buy-rated by all the major consultants and this has been fundamental to our growth in fixed income, LDI and multi-asset. Again let me give you an example. Greenwich noted that we topped shortlist recommendations in segregated and pooled LDI searches with 90% inclusion.

We currently have 139 buy ratings in the UK from consultants across our range of investment capabilities. So to recap, the attraction of institutional business is the resilience of the revenue it provides and a successful institutional business should be able to demonstrate three things; longer than average persistency, deeper than average relationship, ie, multiple mandate for the client, and broad investment capabilities that mean assets can be retained as client strategies evolve.

Let me just share very quickly a real client case study and please, don't worry about the detail on the slide. This is a prominent FTSE client who first engaged with us in 2004 and we'll start with the DB plan, which is at the top. From very simple index beginnings in 2004 we started by helping them manage risk more than ten years ago.

This strategy has evolved over the last decade to a place where they are largely hedged from a liability perspective and where the focus has now switched to cashflow management. We have worked closely with them at every turn. As a result revenues have multiplied over the years as assets have transitioned.

We currently have six strategic mandates with some 30 underlying portfolios. This is a top-tier relationship built to last and based on trust. We have a similar relationship with the same client in DC. From being a peripheral manager via a third-party platform we are now pivotal to their DC strategy. We were appointed as bundled manager a couple of years ago and most recently also won the mandate for the drawdown decumulation phase. As their bundled provider with solutions for both pre and post retirement this is another mandate built for the long term.

So let's very quickly recap before I sum up UK DB. This market has faced real difficulty. It has often been described as the perfect storm; low interest rates, increased life expectancy and regulatory change led to deficits and scheme closures. We have helped our clients at every stage as they have shifted from a focus on growth to a holistic approach that looks at managing liability risks and cashflows.

So derisking has now become the norm. Outflows from the vanilla index have inevitably gathered pace, as Chad mentioned and this is a challenge we've had to face but there's been a real opportunity to replace these outflows with revenue-accretive and added-value alternatives so think index to cashflow matching, index to multi-asset, index to factor-based solutions or index consolidator of choice and that includes active to passive mandates.

Scheme closure and derisking is increasingly accompanied by a desire to outsource oversight and governance. We offer effective solutions here too. Our fiduciary management service takes total responsibility for a client's whole portfolio so we go from running a slice of the pie to managing the whole, from a manager overseen by an advisor to owner of the strategy. Fiduciary management by LGIM meaningfully embeds long-term relationships and long-term revenue. It's early days but our offering is winning business and gathering strong momentum.

And, anticipating a need for consolidation of smaller schemes, we are also working on a solution to improve the scalable delivery of small-scheme fiduciary management using technology. On the back of what will be a largely digital service we will attract new books of clients based on better investment solutions, more streamlined client management and a good value proposition, directly addressing the FCA's calls for a pooling solution for smaller schemes. These are all opportunities for us to retain and grow revenue.

The final chapter has decades to run but is now on the visible horizon. There are no new DB schemes being established and almost all existing schemes are now closed to new entrants so as our DB clients plan for the endgame it's important to highlight that L&G is uniquely well placed to support a scheme from cradle to grave, as previously discussed. Low-risk self-sufficiency or risk transfer via buy-out or buy-in are usually the final destinations for most schemes.

LGIM continues to benefit from managing assets under any of these scenarios and by structuring and evolving client portfolios towards a buy-out solution LGIM and L&G have the ability to prepare clients for more attractive terms and a smoother transition.

In different circumstances for DB clients without viable sponsors we also have a role to play as a manager for the PPF. For corporates setting up alternative plans under DC, again, as already said, LGIM is the UK's leading provider of DC with the fastest-growing master trust and it is this expertise and total view of pensions from DB to DC, to buy-out or post-retirement that underpins our business model and supports LGIM's entry into new markets.

So we're going to move abroad. Having talked you through our core UK DB book we're now going to take a look at our international businesses so as you can see, we now have offices in seven locations and clients in 29 countries. I'll be covering Europe, the Gulf and Asia and will then hand over to Aaron to talk about the US.

All of these markets are for us significant growth opportunities and we are starting to capture them. You can see here that we've achieved scale in Europe and the Gulf and we're just getting started in Asia and as Mark highlighted earlier, we've delivered strong flows in each of these markets. I'm going to talk a little bit about where we are today, what our growth plans are and how we will deliver them and I thought I'd just start by being clear about what makes a new market attractive to us.

It must be a market where client needs can be met by our investment capabilities. It offers secular growth. It needs pensions or insurance expertise and it is likely to be institutional. And we approached the build-out by hiring expert salespeople, building to scale and adding local presence once it's justified.

Starting closer to home, let's look at Europe. As you can see from the chart, we've delivered strong AuM growth of 29% per annum over recent years and what have we got and where? We won our first European client in the Netherlands in 2002. Ireland followed some time after and then Germany and in each of these markets, having started with just one senior salesperson, we've reached sufficient scale to justify a presence on the ground.

Additionally we fly in and out coverage of the Nordics markets and clearly I should say all of the local offices rely on our significant resource in London to support them and their clients. It really is only in the last two to three years that we've focused more significant sales effort on the regions and it is yielding impressive results with just under 200 clients now in Europe ex-UK.

I'm going to focus on a couple of countries for very different reasons. We can't talk about Europe without touching on Brexit. Ireland is our Brexit hub, as Siobhan's already mentioned. Our new Irish super-manco was the first Brexit-related approval by the Central Bank in Dublin and we'll continue to build as necessary to support our EU business.

We've a strong base amongst institutional clients, have achieved success with key retail intermediary partners and are working with other asset owners who've chosen Dublin as their hub. Now we'll look at Germany as an illustration of both the challenges and opportunities in Europe. Germany is key for us and we're very excited about future growth. We've got the right people in the right place. The head of our European institutional business is German and based in Frankfurt and we already have a good base of active fixed income clients.

We like the market for reasons that others find it hard. First of all it's opaque. It's hard to scope the size of various channels and lacks the dominance of a few global intermediaries who could make market entry quite straightforward. It's operationally quite complex, involving KDGs for institutional clients and tax transparency for funds and it is misleadingly Anglo-Saxon; easy to misunderstand an ability to speak English as the sign of a good relationship.

So it's a large market, open to global managers and with investment needs that we are well placed to meet but with barriers to success that you need to understand and we do. This is a very attractive market for us and we know we've only scratched the surface. There's plenty more growth to come.

So what's the vision? We've planned for a much larger business building on these foundations. We know that demographic and welfare trends will drive the growth of pensions and we've seen even greater opportunity in insurance, as you can see from the chart on the right. We occupy a curious but favourable position, not competing directly with European insurers but sharing the same DNA so we can be non-threatening and empathetic partners. So whether it's supplying investment products to AGI as part of their fiduciary offering or sharing insights that come from managing our annuity book what represents an additional challenge to others presents an opportunity for us. As you've heard from Honor, we also have ambitious plans in retail intermediary.

So what's the appetite in Europe and how will we win and grow? Let's look at the demand, starting with ESG. First mainland Europe is the home of ESG with 53% of global ESG assets located in the region. This plays directly to our strengths. Secondly there's a desperate search for yield, especially in Germany; not surprising when at short maturities you have to pay to lend our capital to the German government.

We've outstanding capabilities in areas of specialist credit and will continue for example to benefit from sales momentum in global high-yield. Thirdly parts of Europe including Germany have been a little behind the trend in passive so we see a big opportunity here too and I can certainly confirm that our recent launch of index funds have seen really enthusiastic take-up amongst German clients. So we're investing sensibly in resource and making sure we're ready to take full advantage of the opportunities we can see.

Now I'm going to move on and take you with me to the Gulf and tell you where we are today. We won our first clients in Abu Dhabi in 2009. We manage index, credit and some real assets. You won't be surprised to learn that the average mandate size is very large and that the fee environment is competitive. Worth noting though that vanilla index clients are moving into new areas such as factor-based investing, as Chad said, self-indexing and index-plus, which all imply more constructive fee discussions.

We've a specialist team based in London, supported by the broader business and have already shown our ability to gather assets with compound annual growth of 32% since 2011. This is a classic institutional market with 90% of all assets in the hands of the top 20. It is also a market more than any other that requires long-term commitment and relationship is all.

We're benefiting from structural organic growth in these markets but how do we stay successful? One way we're winning is we're putting ourselves in the middle of a consolidating and changing market. Asset owners are coming together and pension funds are outsourcing. We're newer than some but seen as a highly committed manager with good heritage. We're in a strong position to be appointed as a diversifying manager as clients grow or as a complete replacement where our innovation is particularly prized. Finally, as you'll all know, there's been a step change in attitudes to ESG with particular focus on E&G; clearly more opportunity for us.

I'm going to move further east again and share our thoughts on Asia. For many good reasons our approach to Asia Pac has to be different to that in Europe and the Gulf. Time zones and communication alone mean that local resource is a key requirement from the outset. So where are we today? We have offices in Hong Kong and Tokyo, we have manufacturing and distribution capability in the region and this is just the start.

In Asia we now look after £89 billion of assets. It's a well-diversified investment base across fixed income, index and real assets. We concentrate on the larger institutional markets of north Asia. This means sovereign wealth funds, pensions and insurance in China, Hong Kong, Korea and Taiwan, although we do have our first clients in Singapore and Australia as well. These are rich pools of assets, already open to outsourcing.

We also like the fact that global consultants have a role to play and that the average mandate size is big. As you can see on the right, these are all fast-growing markets. Our history in Japan is more recent but our ambition is just as great. We're focused on public and private pension funds as well as insurers and other financial institutions. At this stage our clients are investing in fixed income and real assets.

So what is our ambition in this region of huge opportunity? We know China and Japan face the biggest demographic challenge but all markets in the region are predicted to see strong growth in insurance and pensions. We've investment expertise that matches client needs and we are offering solutions to a region that has bought products up to now. We're building up our teams and identifying partners where appropriate. For example we see South Korea as a key opportunity given pensions regulation and long-tail insurance guarantees.

We're excited about Japan, where we've clear alignment of interests, given ongoing ESG developments. I note a 242% increase in FRI assets over 2017, which is still just a fraction of the market and of where this ultimately could lead. And please don't think China isn't in our plans. It is; it's just that it's early days and we're evaluating the market. It's clearly too big to miss in the longer term. With that I'm going to hand you over to Aaron Meder, who's going to take you on the final stop on the world tour. To you, Aaron; the CEO of the US.

Aaron Meder: Thanks, Sarah. Finally the US; one final fantastic story to leave you with before Q&A. We're off to a great start in the US. We're very excited about the growth opportunities ahead but let's start with a summary of where we are today. We now manage £140 billion in assets and are experiencing significant external net flows that continue to grow year over year.

So what's driving these flows? One major contributor comes from our market-leading position in the defined-benefit derisking market, where we're really well positioned for future growth. We've established three competitive advantages that led to this strong position; a client-centric culture, investment excellence in fixed income and LBI and a true solutions orientation. We see a large opportunity to leverage these same competitive advantages and deliver solutions in the DC and the public DB channels.

In particular we see opportunities to innovate within the growing retirement income and ESG markets and to address these opportunities we have rounded out our investment capabilities to include index and factor-based investments, multi-asset and real assets.

While we're very excited about the future, let's start with a bit of history and how we got here. Here we see strong, consistent growth in our assets over our first decade, which all started with the establishment of our US fixed income capabilities back in 2006. We saw three opportunities for US fixed income. First, our insurance and retirement divisions wanted to diversify their credit investments and gain more exposure to US dollar assets.

Second, increasing UK pension fund demand for US fixed income as they started taking a more global approach. And third, we had a view that US DB plans would derisk just like UK DB plans and fixed income would be the cornerstone of US derisking solutions. As we expected, we saw and continue to see growth from international investors in US fixed income but what's really fuelled the first decade of growth has been delivering a market-leading derisking proposition to US corporate DB plans.

A few critical things happened during our first few years to set us up for success. First we recruited a really talented fixed income team and they delivered outstanding performance over a very difficult period, including the global financial crisis. Second, the global financial crisis happened and was the trigger for US DB plans to adopt an LDI mindset and begin to derisk. This was partly because people regained a strong appreciation for risk but also because the crisis led to an opportunity to match liabilities with high-quality corporate bonds at very attractive yields.

The last critical element was hiring a best-in-class LDI team so we could package up our investment excellence in fixed income and offer a comprehensive spectrum of fixed income and LDI solutions. I can't emphasise enough the importance of talent in our business and our commitment to hiring, developing and retaining strong talent.

We won our first corporate DB client in 2010 and we've seen strong, consistent growth ever since and from very early on we started working with some of the largest and most sophisticated pension funds in the US. For example within a few years we had won mandates with three of the ten largest pension funds. While there's still lots of derisking to be done in 2014 we started building out the investment capabilities we need to address the broader US retirement challenge and the corresponding DC opportunity.

First we hired a team to establish our US index business, which we launched with a £38 billion transfer of assets from our UK business. Our index capability is resonating across all channels and helping us build relationships in the DC market. We now have relationships with 32 DC plans and have nearly 100 index clients.

In 2017 we rounded out our investment capabilities by establishing a multi-asset team, allowing us to more fully address the DC opportunity and a real assets team, initially focused on private credit, which further differentiates our DB derisking proposition. All of this leads us to where we now manage £140 billion of assets and having successfully established ourselves as a leading solutions provider.

More specifically we are a leader in corporate DB derisking and are an emerging force in index and factor-based investment strategies. We now manage £61 billion in assets across the full spectrum of fixed income and LDI solutions, which is being driven by a strong and consistent flow from corporate DB plans and shows no signs of slowing down.

Our index and factor-based proposition now has commercial traction across all key US client channels with £67 billion of assets across all traditional market cap and increasingly factor-based investment strategies. So how are we doing it? Given the success we're having and how difficult it's been for foreign asset managers to win in the US I get asked this a lot. Clients are always the best placed to find the answer and what I hear from them is that there are three things that make us different.

First, I consistently hear about our outside-in approach to building our business where we start with a deep understanding of the client problems and then we build what's needed to solve it. This is very different from the traditional inside-out approach most investment managers take where they build a product, establish a track record and then try and find a client to buy it.

Our outside-in approach is sustaining two cultural attributes that differentiate us. First, it naturally leads to a strong client-centricity across the business and second, creates a collaborative environment as the traditional investment siloed approach to building an investment management business doesn't work when the objective is to bring the whole firm together to solve client problems. The fact that 64% of our clients who have been with us for at least a year have expanded the relationship is an excellent reason to believe this approach is working.

Second, consistent with Anton's earlier comments, clients recognise the outstanding investment performance we have delivered for them and related to this, they also appreciate our focus on being great at a handful of capabilities we need to solve their problem as opposed to trying to be all things to all people.

Our US credit capability is the cornerstone of our derisking solutions for DB blends and having the number one risk-adjusted return since inception has been a key reason clients have hired us and in many cases have expanded the relationship over time.

Third, we've always had a true solutions orientation underpinned by innovation and pragmatic thought leadership. A key principle here is our ability when solving client problems to be fully aligned with the client objectives and manage assets versus client benchmarks instead of generic market benchmarks.

A great example of this is our ability when designing LDI solutions to manage assets versus custom liability benchmarks. We now manage £24 billion of assets versus clients' benchmarks and this is one of the fastest-growing areas of our business.

So that is what we've achieved and how we did it. Now let's switch gears and talk about some of the significant growth opportunities ahead. First where do we see opportunity? We see large opportunities for growth across all of our key channels. We show four key channels here, three US client channels plus the international channel just covered by Sarah so I won't discuss international beyond simply re-emphasising Sarah's point that there's significant international demand for the capability that we've built in the US and we continue to work closely with her team to grow our international presence.

Now focusing in on the three US domestic opportunities for growth, the corporate DB channel has been our biggest driver of growth to date and we're focused on solidifying our market-leading position so we can continue to take market share. The DC market needs significant innovation throughout all phases of an individual's lifetime, particularly around incorporating more of an income-aware approach and related to that we see significant long-term opportunity to be a market leader in post-retirement solutions.

Public DB plans are the pension funds for individual states or other public institutions. They have their own set of regulations and are focused on different objectives than corporate DB plans. They remain long-term return-focused as they have not had to adjust for the mark-to-market accounting and funding rules that have incentivised corporate DB plans to derisk. While the underlying economics are ultimately the same for both public and corporate DB plans for now public DB plans are more focused on solutions to help close their funding gap, reduce fees and are increasingly interested in using their assets to make a positive difference in society.

Now let's look at the size of each of these opportunities. Starting with corporate DB, the main point is that we don't expect flows into derisking solutions to slow down any time soon. There are just over $3 trillion in total assets but importantly $1.7 trillion are still in return-seeking strategies. Not all those assets will move into fixed income and LDI solutions but it is our expectation that the majority will.

The DC market is already extremely large at almost $8 trillion and there are two key trends leading to large opportunities. First target-date funds continue to grow in popularity and are expected to be an over $3 trillion over the next five years. Second, given demographic trends, we see a large long-term opportunity in post-retirement solutions. We estimate this market to be as large as $5 trillion in five years' time.

The public DB market is large and importantly expected to grow long-term as the majority of these plans are still accruing benefits for plan participants. One trend we see playing out first-hand is increasing demand for ESG solutions, which is consistent with the fact that 40% of public DB plans are expecting to increase their investment in

ESG strategies this year. We also see a large opportunity within fixed income where we could innovate as public funds become more liability-aware over time.

Now let's talk about how we're going to win in each of these channels. Starting with corporate DB, we have been consistently taking market share for the better part of a decade. How have we done it and why are we confident it's going to continue? Our key advantage is that few competitors if any can offer the full range of derisking solutions to clients. Clients like this because what they need changes significantly from the beginning stages of derisking when the focus tends to be on straightforward long-duration credit strategies to the later stages of derisking, what we call the endgame, where clients value a higher level of customisation than most competitors provide.

Another important point here is that by offering a full range of solutions, in our experience, we not only win a lot of initial mandates; we also become well-positioned to be a client's strategic partner, where we often end up managing the majority of liability-matching assets.

Lastly to further round out our range of solutions we launched private credit capabilities last year. Private credit fits perfectly as a yield and diversification enhancement for solutions that don't need the liquidity of the public credit markets. Adding this capability deepens our advantage and solidifies our position in this channel.

The DC market has a real need for innovation. The US retirement challenge is real and one way it'll be addressed is for the DC market to evolve from an asset-only growth mentality to one that explicitly targets a level of secure income as the ultimate investment objective. Income-aware solutions in general and post-retirement solutions more specifically are akin to LDI for DC and we are leveraging our market-leading capabilities in fixed income and LDI to give us a great starting point for winning the large opportunities we see to innovate in the post-retirement market.

We are also working with our insurance colleagues to provide more income security, broaden out our range of solutions and further differentiate our overall post-retirement proposition. We are seeing a large and more immediate opportunity to be a component provider. For example the focus on lower costs has been driving funds from active to passive and our emerging strength in index and factor-based investment are well positioned to address this and this is exactly how we've gotten our initial wins with DC plans.

In addition, as target-date funds evolve to become more retirement-income-focused we are well positioned to manage the retirement income component that target-date funds will derisk into over time. As we continue to establish ourselves in the DC market we also see opportunity to leverage our foothold and expertise to offer a comprehensive target-date solution that explicitly states income as its objective and we continue to invest in this market.

We established a dedicated DC team last year to focus on the design and distribution of these solutions and we'll be making further investments this year as we believe we're well positioned to address the US retirement challenge. It's true that public DB plans are a long way away from derisking like corporate DB plans but we still see an opportunity to redefine the role of fixed income in their portfolio.

The current fixed income approach is typically benchmarked against a full market benchmark which carries a relatively low yield and short duration. As a result this approach to fixed income neither helps close our funding gap nor does anything meaningful to match planned liabilities. So while public DB plans are not yet ready for LDI solutions we do see opportunity to innovate and improve upon our current fixed income approach with what we call liability-aware solutions.

Public funds are also increasingly focused on ESG investment strategies. Leveraging the ESG intellectual capital we have developed globally we can add significant long-term value for our clients by customising a solution to meet their specific ESG needs and then leverage our market-leading corporate governance team to maximise impact.

We're launching our first ESG-focused fund next quarter, the Future World climate change fund and have hired a head of stewardship and sustainable investing to drive this forward. This fund is an extension of the broader Future World fund range that Meryam spoke about earlier.

We're also seeing public funds focus on reducing costs, which is leading to opportunities for both traditional market cap index mandates as well as factor-based investment strategies. Recently announced factor-based wins we've had with two large influential public funds are great examples of the momentum we're seeing here and we're investing in this channel as well with the goal of building our brand awareness and presence in this market and have recently hired a head of public fund distribution to lead this effort.

To summarise, our first decade in the US has been a great success driven by our three competitive advantages; a client-centric and collaborative culture; investment excellence; and a true solutions orientation. But we're just getting started and see lots of opportunities to deepen and broaden these advantages to grow across all key channels.

To execute on this we'll continue to invest significantly in the business across investment capabilities, distribution and our overall operating model and for all these reasons we see a fantastic opportunity to continue our rapid growth in the US. Now I'll hand over to Mark to wrap up.

Mark Zinkula: All right, almost there. I do appreciate it's been a long afternoon. We've covered a lot of ground and I'm sure there are many questions which we can have here and continue over drinks so I'll be brief with my concluding remarks. To summarise some key points from this afternoon, clients are at the core of everything we do. We're fully committed to earning their trust and doing all we can to deliver for them.

We now have a very diverse set of growth drivers and a resilient business model and we'll continue to invest in our business. Most importantly we have a fantastic leadership team who put us in this great position. They're motivated to capitalise on all of our competitive advantages that you heard about today and grow the next trillion pounds of assets and continue delivering attractive profit growth.