Full year results 2019

10 March 2020

Momentum driven by focus on clients and customers, solid progress on costs, strong capital position supports investment in business and returns to shareholders

Keith Skeoch, Chief Executive, commented:

"We have seen growing momentum in the second half of the year across the business with improved investment performance and flows. We remain on track to deliver targeted synergies and have identified more we can deliver as we continue to reshape the business and sustain resilience.

"Our strong financial position, capital generation potential and focus on operational efficiency enables us to invest in the business to drive profitable revenue growth and shareholder return.

"The outlook for the markets and our industry in 2020 is turbulent with the additional complexity of COVID-19. Importantly we are focused on what we can control, namely delivering for our clients, customers, colleagues and shareholders; diversifying our revenues; investing for the future and maintaining financial discipline."

Key points:

Financial

- Fee based revenue of £1,634m, down 13% reflecting impact of net outflows in 2018 and 2019
- Adjusted operating expenses of £1,333m, down 4% due to synergies and other efficiencies
  - Now expect to deliver £400m of annualised synergies – £350m by end of 2020 and an additional £50m during 2021, at a total cost of £555m
  - Cost of separation now expected to be £310m due to increased complexity
- Adjusted profit before tax of £584m, down 10% largely reflecting lower revenue
- Adjusted diluted EPS of 19.3p, up 8% benefitting from share count reduction
- IFRS profit before tax of £243m, up £1bn due to lower total adjusting items charge of £333m (2018: £1,397m charge)
  - £1.5bn gain on sales of Indian investments and £140m LBG compensation offsetting £1.6bn non-cash impairment charge in relation to acquired intangible assets
- Strong surplus capital position of £1.7bn continues to support investment in the business and shareholder returns
  - Over £1bn returned to shareholders in dividends and share buybacks in 2019
- Final dividend of 14.3p, giving full year dividend of 21.6p, in line with guidance

Operational

- Improvement in investment performance with 74%, 60% and 67% of AUM above benchmark over 1, 3 and 5 years, respectively
- Gross inflows up 15% at £86.2bn
- Net outflows reduced to £17.4bn (excluding LBG tranche withdrawals), a significant improvement on £40.9bn net outflows in 2018
- AUMA of £544.6bn, up 6% (excluding LBG tranche withdrawals)
- Cost/income ratio of 71%, weaker than 68% in 2018

Outlook

- Strong financial position, capital generation potential and focus on operational efficiency enables investment in business to drive profitable revenue growth and shareholder return
- Outlook for markets and our industry in 2020 is turbulent with additional complexity of COVID-19
- We are focused on what we can control and will build a business that is fit for the future and well positioned to manage through the uncertainties ahead

	2019	2018
Financial metrics		
Fee based revenue	£1,634m	£1,868m
IFRS profit/(loss) before tax	£243m	(£787m)
Adjusted operating profit	£301m	£473m
Cost/income ratio	71%	68%
Adjusted profit before tax	£584m	£650m
Adjusted diluted EPS[2]	19.3p	17.8p
Full year DPS	21.6p	21.6p
Operational metrics		
Gross inflows	£86.2bn	£75.2bn
Net flows		
Excluding LBG	(£17.4bn)	(£40.9bn)
Total	(£58.4bn)	(£40.9bn)
AUMA	£544.6bn	£551.5bn
Investment performance (AUM) – 3 years	60%	50%

Annual report and accounts 2019

The Annual report and accounts 2019 (Annual report 2019) has been published today and is available in full at: www.standardlifeaberdeen.com/annualreport. This press release contains certain information that has been extracted from the Annual report 2019.

Media

A conference call for the media will take place on Tuesday 10 March 2020 at 8.15am (BST). Participants should dial +44 (0) 844 493 3857 followed by the pass code 4479128.

Investors and analysts

A presentation for analysts and investors will take place via webcast at 9.00am (BST) on Tuesday 10 March 2020. To join the webcast go to www.standardlifeaberdeen.com. There is also the facility to join the presentation and Q&A session via a conference call. Participants should dial +44 (0) 203 009 5709 and use passcode 5692336.

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*Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

Notes:

1. Unless otherwise stated, all figures in this press release are on a continuing operations basis excluding the UK and European insurance business sold to Phoenix on 31 August 2018.
2. In accordance with IAS 33, earnings per share has not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the period ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Annual report and accounts 2019 for information relating to the calculation of diluted earnings per share

Full year results 2019 summary

The Annual report and accounts 2019 (Annual report 2019) has been published today and is available at www.standardlifeaberdeen.com/annualreport. This press release contains certain information that has been extracted from the Annual report 2019.

INCOME STATEMENT

Summary income statement (continuing operations)	2019 £m	2018 £m
Fee based revenue	**1,634**	1,868
Adjusted operating expenses	**(1,333)**	(1,395)
Adjusted operating profit	**301**	473
Capital management	**37**	(9)
Asset management associates and joint ventures	**57**	46
Asset management, Platforms and Wealth adjusted profit before tax	**395**	510
Insurance associates and joint ventures	**189**	140
Adjusted profit before tax	**584**	650
Adjusting items	**(333)**	(1,397)
Share of associates' and joint ventures' tax expense	**(8)**	(40)
Profit/(loss) before tax	**243**	(787)
Tax expense	**(28)**	(43)
Profit/(loss) for the year	**215**	(830)
Profit attributable to non-controlling interests	**(5)**	(5)
Profit/(loss) for the year attributable to equity shareholders of Standard Life Aberdeen plc	**210**	(835)

Adjusted diluted EPS	**19.3p**	17.8p

Revenue

Revenue analysis	2019 £m	2018 £m
Institutional and Wholesale	**1,011**	1,253
Strategic insurance partners	**317**	347
Platforms and Wealth:		
- Wrap and Elevate	**150**	142
- Wealth	**107**	105
	1,585	1,847
SL Asia	**12**	12
Performance fees	**37**	9
Fee based revenue	**1,634**	1,868

The 13% reduction in revenue reflects the impact of net outflows in Institutional and Wholesale. Fee based revenue in Institutional and Wholesale reduced by 19% to £1,011m reflecting outflows which were concentrated in Equities and Multi-asset. The average fee revenue yield decreased to 42.8bps (2018: 47.9bps), reflecting the lower proportion of higher margin Multi-asset and Equity assets. Performance fees, which primarily relate to Institutional and Wholesale, increased to £37m reflecting improved investment performance and included £12m in relation to maturing Real estate funds.

Revenue from Strategic insurance partners reduced to £317m as a result of net outflows, in particular the £41bn Lloyds Banking Group (LBG) tranche withdrawals.

Revenue from Wrap and Elevate increased by 6% to £150m reflecting the continuing growth in our platform offering. Wealth fee based revenue increased to £107m largely due to higher average assets. The average revenue yield in Wealth decreased to 48.4bps (2018: 57.5bps), as a result of £3.5bn of lower margin assets in this channel from Virgin Money in Q1 2019.

Adjusted operating expenses

Adjusted operating expenses decreased by 4% to £1,333m mainly due to further synergies of £114m which included lower staff, premises and infrastructure costs arising through the ongoing integration process. In addition we realised further efficiencies of £62m from investing in transforming our business, from improving the efficiency of how we work, and enhancing our infrastructure.

Cost inflation of £68m includes wage inflation as well as investment in enhanced capabilities. There were also £16m of higher costs following acquisitions in our 1825 advice business, acquisitions in the US and Asia during 2018 and early 2019, and expenses relating to our new partnership with Virgin Money.

The cost/income ratio, which includes our share of associates' and joint ventures' profit, was 71% (2018: 68%) reflecting principally the fall in revenue. Excluding our share of associates' and joint ventures' profit, the cost/income ratio was 82% (2018: 75%).

We remain focused on financial discipline and actions are underway to align our cost base to the current revenue outlook. This includes completion of the integration activity and modernising and improving the efficiency and scalability of our Platforms and Wealth business.

Synergies

We have made solid progress with the integration and we are advanced in implementing our simplified operating model. We now expect to deliver £400m of annual synergies, £350m by end of 2020 and an additional £50m during 2021.

However, the integration of our investment platform is proving more complex and is now expected to take until 2021 to complete due to additional complexity resulting from the separation of technology infrastructures required following the sale of our UK and European insurance business to Phoenix.

As at 31 December 2019, actions have been taken which will deliver £283m of annualised synergies, benefiting 2019 operating expenses by £234m (2018: £120m) with further benefits to come in 2020 and 2021. Cost synergies have been realised from a reduction in staff costs, rationalisation of premises, and efficiencies in supplier spend.

The related implementation costs, which are included in restructuring expenses, incurred to date are £436m of which £214m were incurred in 2019. We expect that the total costs to deliver the £400m of annualised synergies will be £555m, compared to the previous estimate of £430m to deliver £350m of synergies, reflecting additional costs relating to the investment platform integration.

Adjusted profit before tax

Adjusted profit before tax of £584m is a decrease of 10% on 2018, reflecting principally the impact on revenue of the outflows in both 2018 and 2019.

Capital management generated a profit of £37m mainly due to the positive impact of markets on pooled investment fund holdings and the benefit of lower finance costs following the repurchase of £408m of subordinated debt in 2019.

Our share of profit from asset management associates and joint ventures increased to £57m due to strong revenue growth in HDFC Asset Management. Our percentage ownership of HDFC Asset Management at 31 December 2019 reduced to 26.91% (2018: 29.96%) due to the sale of 3.02% of the shares in December 2019 in order to increase the public shareholding towards the minimum required under Indian listing rules by August 2021. This sale generated net cash proceeds of £195m.

Adjusted profit before tax in our insurance associates and joint ventures increased by 35% to £189m mainly due to the inclusion of a full 12-month share of Phoenix adjusted profit in 2019 arising from our stake in Phoenix following the sale of our UK and European insurance business on 31 August 2018. Our share of Phoenix adjusted profit before tax included a reduced benefit from actuarial assumption changes of £30m (2018: £42m). HDFC Life profits increased in 2019 due to strong premium growth. However, our share of profits decreased to £36m (2018: £42m) due to the reduction in our shareholding from 29.23% to 14.73%. Our combined sales of 14.49% of HDFC Life generated net cash proceeds of £1.5bn. Our share of HASL profits increased to £17m (2018: £12m) mainly due to favourable investment returns.

Adjusting items

Analysis of adjusting items	2019 £m	2018 £m
Profit on disposal of interests in associates	**1,542**	185
Restructuring and corporate transaction expenses	**(407)**	(239)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(1,844)**	(1,155)
Reversal of/(loss on) impairment of associates	**243**	(228)
Investment return variances and economic assumption changes	**(25)**	54
Other	**158**	(14)
Total adjusting items from continuing operations	**(333)**	(1,397)

Total adjusting items from continuing operations were a charge of £333m. The profit on disposal of interests in associates of £1,542m includes £1,337m relating to the combined sales of 14.49% of the shares in HDFC Life and £204m, pre-tax, from the sale of 3.02% of the shares in HDFC Asset Management.

Restructuring and corporate transaction expenses were £407m primarily reflecting ongoing transformation costs for integration, separation from Phoenix, and implementing our simplified operating model. 2019 also included £49m relating to the repurchase of subordinated debt. Further details on restructuring and corporate transaction expenses are provided in the Supplementary information section of the Annual report 2019.

We announced in May 2018 that we expected to incur one-off costs relating to the separation of the UK and European insurance business sold to Phoenix of approximately £250m. As this work has progressed additional complexity has been identified relating to the separation of the technology infrastructure and as a result these one-off separation costs are now expected to be £310m. Total separation costs accounted for to date amount to £170m and include £37m in 2019 (£133m in 2018).

The amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts increased to £1,844m mainly due to the £1,569m impairment of the asset management goodwill intangible asset in 2019. The impairment reflects the impact of 2019 net outflows, market conditions and competitive pricing on future revenue projections and excludes expected significant benefits from planned future expense savings. Further details are provided in Note 15 of the Group financial statements.

The reversal of impairment of associates of £243m relates to our investment in Phoenix. The Phoenix share price has recovered in 2019 and the impairment recognised in 2018 has therefore been reversed. Further details are provided in Note 16 of the Group financial statements.

Other adjusting items of £158m include £140m relating to the settlement of arbitration with LBG. Restructuring and corporate transaction costs above include £20m of variable compensation funded from the settlement.

Settlement of arbitration with LBG

On 24 July 2019, the Group announced that it had agreed a final settlement with LBG in relation to the arbitration proceedings concerning LBG's attempt to terminate investment management arrangements with the Group.

We are pleased with the settlement with LBG and believe that it represents a fair and positive outcome. The retention of c£35bn of assets in our passive strategies as well as active real estate portfolios, positions us to benefit from scale and growth in these growing parts of the asset management industry. As part of the settlement we received an upfront payment of £140m. Further details are included in Note 5 of the Group financial statements.

The initial withdrawals of £41bn of the previously announced c£70bn of transferring LBG AUM were made in H2 2019. An additional c£25bn is expected to be withdrawn by the end of March 2020. The remaining tranche withdrawals are expected to be made over the following 12 months.

IFRS profit before tax

IFRS profit before tax from continuing operations increased to £243m mainly due to the gain on sale of shares in both HDFC Life and HDFC Asset Management.

Earnings per share

Adjusted diluted earnings per share was 19.3p. This reflects our focus on financial discipline and a 22% reduction in our share count arising from the £1.75bn capital return to shareholders via the 'B' share scheme and related share consolidation, and share buyback programme.

OPERATING PERFORMANCE

Investment performance

	1 year		3 years		5 years	
% of AUM ahead of benchmark	**2019**	2018	**2019**	2018	**2019**	2018
Equities	**59**	40	**31**	31	**31**	29
Fixed income	**83**	50	**86**	76	**72**	64
Multi-asset	**68**	20	**46**	35	**61**	62
Alternatives	**89**	77	**98**	82	**100**	79
Real estate	**39**	71	**48**	56	**36**	61
Quantitative	**44**	69	**52**	59	**58**	67
Cash/Liquidity	**91**	81	**88**	81	**88**	82
Total	**74**	47	**60**	50	**67**	62

Our investment teams have a continuous improvement philosophy, with the initiatives identified over the past two years supporting the improved investment outcomes across a range of strategies.

Three-year investment performance improved in 2019, with 60% of total assets under management ahead of benchmark on a gross of fees basis. This reflects improved investment performance within Multi-asset, in particular in absolute return strategies such as GARS, and strong performances for Fixed income, Cash/Liquidity and Alternatives. This was partly offset by weaker performance in Real estate and Quantitative.

Weaker three-year performance continued in most Equity classes, although strong performance continued in Asia Pacific equities. Shorter-term equity performance over one year improved in most Equity classes with Emerging markets equities particularly strong. A number of capabilities such as Smaller Companies and European Long-Term Quality equities have maintained strong performance resulting in top decile ranking relative to peers.

We are encouraged by additional strategies receiving positive ratings from investment consultants, bringing the total to 46 strategies. The new ratings were in liability driven investments, Alternatives/Private markets and Fixed income.

The investment performance calculation covers 79% of total AUM, with certain assets excluded where no applicable index is available, such as private markets and Aberdeen Standard Capital funds. Further details about the calculation of investment performance are included in the Glossary to the Annual report 2019.

Assets under management and administration (AUMA) and flows

AUMA	**2019 £bn**	2018 £bn
Opening AUMA	**551.5**	608.1
Gross inflows	**86.2**	75.2
Redemptions	**(103.6)**	(116.1)
Net flows (excluding LBG tranche withdrawals)	**(17.4)**	(40.9)
LBG tranche withdrawals	**(41.0)**	-
Total net flows	**(58.4)**	(40.9)
Market and other movements	**49.0**	(20.5)
Corporate actions	**2.5**	4.8
Closing AUMA	**544.6**	551.5

AUMA

AUMA at £544.6bn is lower than 2018 due to redemptions, including LBG tranche withdrawals of £41bn, partly offset by increased gross inflows and positive market movements. Net outflows continued but slowed to £17.4bn excluding LBG tranche withdrawals.

For 2019, we changed our definition of AUMA to include assets under advice as we continue to build scale in the 1825 business. Opening assets under advice of £4.0bn are included within market and other movements.

Corporate actions include £1.8bn of assets under advice following 1825's acquisition of Grant Thornton's wealth advisory business and BDO Northern Ireland's wealth management business. These acquisitions increase Wealth assets and help to drive forward our advice capability in alignment with the strategic ambitions for our financial planning and advice business in the UK.

Gross and net flows

Institutional gross inflows improved significantly in 2019 to £27.1bn (2018: £19.3bn) with a higher level of inflows in Quantitative, Fixed income and Alternatives, which benefited from a win of £5.5bn in Q4 of a lower margin US advisory mandate. Wholesale gross inflows increased to £20.2bn (2018: £18.4bn).

Net outflows continued reflecting investor sentiment towards emerging markets and equity markets more generally, as well as weaker 2018 investment performance in both Equities and Multi-asset. However, net outflows for Institutional and Wholesale significantly reduced to £21.5bn (2018: £39.8bn) due to lower redemptions in Equities and Multi-asset, strong Cash/Liquidity flows and the higher gross inflows described above.

Multi-asset redemptions were dominated by GARS, despite the significant improvement in investment performance, with GARS net outflows of £10.6bn (2018: £16.7bn) reducing GARS AUM in Institutional and Wholesale channels to £10.6bn (2018: £19.9bn).

Strategic insurance partners' (excluding LBG tranche withdrawals) gross inflows of £26.9bn (2018: £28.6bn) continued to benefit from additional assets from our strategic partnership with Phoenix and included £10.6bn (2018: £8.5bn) from LBG. Net outflows were £3.4bn (2018: £5.5bn) reflecting redemptions from maturing insurance business in long-term run-off, partly offset by the gross inflows. Tranche withdrawals of LBG funds were £41bn (£27bn in Q3 2019 and £14bn in Q4 2019).

Net inflows continued on Wrap and Elevate at £2.3bn (2018: £4.2bn). This is an encouraging level of inflows given the weak market sentiment caused by the political uncertainty in the UK during 2019, as well as a further reduction in defined benefit to defined contribution transfers. Wealth had strong net inflows of £4.7bn (2018: £0.4bn) including £3.5bn from Virgin Money in H1 2019.

FINANCIAL STRENGTH AND LIQUIDITY

Surplus regulatory capital

Capital resources comprise shareholders' equity reduced by a number of deductions (including deductions for intangible assets, defined benefit pension plan surpluses and significant investments in certain associates). Under regulatory rules, the vast majority of the value of our shareholdings in listed associates is not recognised in capital resources. At 31 December 2019, the indicative regulatory capital position was as follows:

CRD IV Group regulatory capital position	2019 £bn	2018 £bn
Common Equity Tier 1 capital resources	**2.2**	1.1
Tier 2 capital resources	**0.6**	0.6
Total capital resources	**2.8**	1.7
Total capital requirements	**(1.1)**	(1.1)
Surplus regulatory capital	**1.7**	0.6

The £1.7bn capital surplus above includes a deduction to allow for the proposed final dividend in 2019 which will be paid in May 2020. Capital resources includes c£0.3bn from holdings in insurance associates and JVs that will no longer be eligible following changes to the capital regime during 2021. The position is also shown before a deduction for the further share buyback of up to £400m announced in 2020.

Capital generation

Our strong capital position supports ongoing investment in the business and delivering shareholder returns.

Adjusted capital generation

This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital to support the payment of dividends to shareholders. As explained further in Section 9, Supplementary information of the Annual report 2019, adjusted capital generation is a new alternative performance measure that we are reporting for the first time.

Adjusted capital generation	2019 £m	2018 £m
Adjusted profit after tax	469	512
Remove staff pension scheme returns	(29)	(21)
Remove associates' and joint ventures' adjusted profit after tax	(200)	(143)
Add associates' and joint ventures' dividends received	93	47
Adjusted capital generation	**333**	395

Adjusted capital generation reduced to £333m as a result of the lower revenue in 2019. The increase in dividends was primarily due to holding our Phoenix associate for a full year.

Net movement in surplus regulatory capital

In addition to the adjusted capital generation, significant capital was generated in 2019 through the £1.7bn of proceeds from the sale of shares in HDFC Life and HDFC Asset Management.

The primary uses of capital in 2019 related to £0.5bn for the payment of the interim and final dividends to shareholders and £0.4bn for funding the remainder of the £750m share buyback programme which commenced in 2018.

Analysis of movements in surplus regulatory capital	2019 £bn
Opening 1 January	0.6
Adjusted capital generation	0.3
HDFC Life and HDFC Asset Management sale proceeds	1.7
Restructuring and corporate transaction expenses (net of tax)	(0.3)
Dividends	(0.5)
Remainder of £750m share buyback programme	(0.4)
Other	0.3
Closing 31 December	**1.7**

LIQUIDITY MANAGEMENT

Cash and liquid resources

Cash and liquid resources were £2.7bn at 31 December 2019 (2018: £2.6bn) which includes cash and cash equivalents of £1.3bn (2018: £0.9bn), short-term debt securities (Certificates of Deposit) of £0.9bn (2018: £1.2bn), bonds of £0.3bn (2018: £0.3bn) and holdings in pooled investment funds of £0.2bn (2018: £0.2bn). Of these cash and liquid resources £1.4bn were held in the Standard Life Aberdeen plc holding company (2018: £1.3bn).

Net cash inflows

Following the sale of the UK and European insurance business in 2018, the IFRS consolidated statement of cash flows now presents a shareholder view of cash generation, and therefore the Group no longer reports adjusted cash generation as an alternative performance measure. Further details are provided in Section 9, Supplementary information of the Annual report 2019.

Net cash inflows from operating activities were £201m which includes outflows from restructuring costs, net of tax, of £242m and the LBG settlement inflow, net of tax, of £113m.

Cash inflows from investing activities of £1.8bn includes proceeds of £1.7bn from the sale of shares in HDFC Life and HDFC Asset Management.

Cash outflows from financing activities of £1.6bn primarily relate to the repayment of subordinated debt of £0.5bn, the purchase of shares as part of the buyback programme of £0.5bn and £0.5bn for dividends paid in the year.

DIVIDENDS

Dividend policy

Management actions, in terms of improving underlying profitability and reducing the share count, are designed to deliver a level of dividend that is sustainable and progressive over the medium term. As disclosed in the Annual report and accounts 2018, it is the Board's current intention that the total annual dividend per share will be held at the 2018 level of 21.6p while the business is transformed, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

Proposed dividend

The Board is recommending a final dividend for 2019 of 14.3p (2018: 14.3p) per share. Subject to shareholder approval, this will be paid on 19 May 2020 to shareholders on the register at close of business on 3 April 2020.

The dividend payment is expected to be £322m. At 31 December 2019 Standard Life Aberdeen plc held £1.4bn of cash and liquid resources and £2.3bn of distributable reserves, which will be used to support the dividend.

The final dividend, combined with the 2019 interim dividend of 7.3p, brings the total dividend for the year to 21.6p. Adjusted capital generation for 2019 was £333m, with a further £1,698m of capital generated from HDFC stake sales.

RETURN OF CAPITAL

The general meeting on 25 June 2018 approved a return of capital of £1bn via a 'B' share scheme, and a return of up to £750m by a share buyback programme. The 'B' share scheme return took place in November 2018 and the £750m share buyback was completed in December 2019. A total of 273m shares have been repurchased in 2018 and 2019 at an average price of £2.75 per share.

EVENTS AFTER THE REPORTING DATE

Following the sale of shares in HDFC Asset Management in December 2019, we announced that we intended to undertake a further share buyback programme. On 7 February 2020, the Company announced a share buyback of up to £400m through on-market purchases commencing on 10 February 2020 and ending no later than 30 September 2020. As at 6 March 2020, the Company had repurchased 20,214,403 shares for a consideration of £60m.

In early 2020, the existence of a new coronavirus, now known as COVID-19, was confirmed and since this time COVID-19 has spread across China and to a significant number of other countries. COVID-19 has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Group or to provide a quantitative estimate of this impact.

REMUNERATION POLICY

The Directors' remuneration report in the Governance section of the Annual report 2019 contains details of a new proposed remuneration policy which is subject to a shareholder vote at the 2020 AGM. The new proposed policy has been shaped following discussions with major shareholders and aims to simplify the current policy and to ensure our remuneration policy is structured appropriately to drive delivery of our strategy and conforms substantially with existing market norms.

OUTLOOK

Our strong financial position, capital generation potential and focus on operational efficiency enables us to invest in the business to drive profitable revenue growth and shareholder return.

The outlook for the markets and our industry in 2020 is turbulent with the additional complexity of COVID-19. We are focused on what we can control, namely: delivering for our clients, customers, colleagues and shareholders; diversifying our revenues; investing for the future, and maintaining financial discipline. By doing this we will build a business that is fit for the future and well positioned to manage through the uncertainties ahead.

Assets under management and administration

	Gross inflows		Redemptions		Net flows	
	2019 £bn	**2018 £bn**	**2019 £bn**	**2018 £bn**	**2019 £bn**	**2018 £bn**
Institutional	**27.1**	19.3	**(41.3)**	(47.0)	**(14.2)**	(27.7)
Wholesale	**20.2**	18.4	**(27.5)**	(30.5)	**(7.3)**	(12.1)
Strategic insurance partners	**26.9**	28.6	**(71.3)**	(34.1)	**(44.4)**	(5.5)
Platforms and Wealth:						
- Wrap and Elevate	**7.0**	8.5	**(4.7)**	(4.3)	**2.3**	4.2
- Wealth	**7.1**	2.7	**(2.4)**	(2.3)	**4.7**	0.4
Eliminations	**(2.1)**	(2.3)	**2.6**	2.1	**0.5**	(0.2)
Total AUMA flows	**86.2**	75.2	**(144.6)**	(116.1)	**(58.4)**	(40.9)

	Gross inflows		Redemptions		Net flows	
	2019 £bn	**2018 £bn**	**2019 £bn**	**2018 £bn**	**2019 £bn**	**2018 £bn**
Equities	**9.6**	11.8	**(23.8)**	(29.4)	**(14.2)**	(17.6)
Fixed income	**10.3**	6.0	**(13.1)**	(8.8)	**(2.8)**	(2.8)
Multi-asset	**4.8**	6.6	**(17.7)**	(22.7)	**(12.9)**	(16.1)
Private markets	**2.5**	1.1	**(2.9)**	(2.4)	**(0.4)**	(1.3)
Real estate	**2.9**	3.8	**(3.5)**	(4.0)	**(0.6)**	(0.2)
Alternatives	**7.7**	0.8	**(1.7)**	(1.2)	**6.0**	(0.4)
Quantitative	**1.7**	0.2	**(0.7)**	(0.3)	**1.0**	(0.1)
Cash/Liquidity	**7.8**	7.4	**(5.4)**	(8.7)	**2.4**	(1.3)
Institutional and Wholesale	**47.3**	37.7	**(68.8)**	(77.5)	**(21.5)**	(39.8)

	1 Jan 2019 £bn	**Gross inflows £bn**	**Redemptions £bn**	**Net flows £bn**	**Market and other movements £bn**	**Corporate actions £bn**	**31 Dec 2019 £bn**
Institutional	166.7	27.1	(41.3)	(14.2)	8.1	-	160.6
Wholesale	72.5	20.2	(27.5)	(7.3)	6.5	0.7	72.4
Strategic insurance partners	255.0	26.9	(71.3)	(44.4)	25.2	-	235.8
Platforms and Wealth:							
- Wrap and Elevate	54.2	7.0	(4.7)	2.3	6.1	-	62.6
- Wealth	10.9	7.1	(2.4)	4.7	6.0	1.8	23.4
Eliminations	(7.8)	(2.1)	2.6	0.5	(2.9)	-	(10.2)
Total AUMA	**551.5**	**86.2**	**(144.6)**	**(58.4)**	**49.0**	**2.5**	**544.6**

	1 Jan 2019 £bn	**Gross inflows £bn**	**Redemptions £bn**	**Net flows £bn**	**Market and other movements £bn**	**Corporate actions £bn**	**31 Dec 2019 £bn**
Equities	72.9	9.6	(23.8)	(14.2)	10.3	-	69.0
Fixed income	46.7	10.3	(13.1)	(2.8)	2.5	-	46.4
Multi-asset	43.0	4.8	(17.7)	(12.9)	4.2	-	34.3
Private markets	16.0	2.5	(2.9)	(0.4)	0.5	-	16.1
Real estate	29.7	2.9	(3.5)	(0.6)	(1.9)	0.7	27.9
Alternatives	12.3	7.7	(1.7)	6.0	(0.6)	-	17.7
Quantitative	2.1	1.7	(0.7)	1.0	1.1	-	4.2
Cash/Liquidity	16.5	7.8	(5.4)	2.4	(1.5)	-	17.4
Institutional and Wholesale	**239.2**	**47.3**	**(68.8)**	**(21.5)**	**14.6**	**0.7**	**233.0**